



THE CHOICE OF SYSTEM FOR TAXING THE BUSINESS RESULT OF FAMILY FARMS

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Summary

At the beginning of business activity, owners of family farms in Croatia have the legal possibility to choose a tax system (flat tax, income tax or profit tax, or not to be obliged to any tax system), which is reflected in the specifics of their accounting obligations and the need to prepare and submit various types of financial reports. It was interesting to analyse which factors influence the choice made, so the main aim of the research was to identify these factors in order to be able to influence them when they begin to have a limiting effect in some way. The article presents the results of a survey conducted among 288 owners of family farms in Croatia. The analysis of the data collected on taxpayers revealed that the majority of family farms are subject to the income tax system. Only slightly less than a quarter of the owners whose family farms are subject to profit tax have voluntarily opted for this tax system, while the rest are subject to this system due to a legal obligation. The owners of family farms pointed out that the simplicity of accounting, i.e. a relatively simple system of financial reporting, and the estimated greater possibility of influencing business results, influenced their choice the most. This research is limited to identifying the factors that influence the choice of tax system so that it can serve as a guide for further analyses that define the potential impact of certain factors, thereby reducing their significance.

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1. INTRODUCTION

Family farms, as a form of organisation of agricultural enterprises consisting of members of the same household or family, are the predominant form of business systems engaged in agricultural activities in all European economies, including Croatia. According to Eurostat, the overwhelming majority, i.e. 94.8 % of farms in the EU, are family farms (Eurostat, 2023). The situation in Croatia is not much different – more than 75% of the total number of economic units in the agricultural sector is registered as family farms (Ministry of Agriculture, 2023). The Croatian Act on Family Farming defines a family farm as an organizational form of a natural person farmer who, in order to generate income, independently and permanently carries out agricultural and related ancillary activities, relying on the use of own and/or leased production resources and on the labour, knowledge and skills of family members (Article 5, Official Gazette No. 29/2018 & 18/2023).

The importance of agricultural production for any economy is undisputed, and the following conclusions can also be drawn for the importance of family farms. First of all, agriculture is an economic sector that manages natural resources and supplies the global economy with the basic commodities necessary for the life and survival of people all over the world. In addition, agriculture has an impact on global trade, adds value, increases productivity, promotes growth in other sectors and reduces dependence on imports. Finally, agriculture can promote economic development by contributing directly and indirectly to overall gross domestic product (GDP) and gross value added (GVA). Unfortunately, Croatia is at the lower end of the EU in terms of the aforementioned measures (share of the agricultural sector in total GDP/GVA). According to official data from the National Statistical Office (Ministry of Agriculture, 2023), the GDP of the Republic of Croatia amounted to 68 billion euros in 2022, i.e. it increased by 6.5% compared to the previous year. Over the same period, the volume of gross agricultural production was reduced by 6.7% (Croatian Bureau of Statistics, 2023). GVA in the Republic of Croatia amounted to 57 billion euros in 2022 and was 7.9% higher in real terms than in the previous year, while the primary sector (agriculture, forestry and fishing) generated GVA of 2.1 billion euros in the same period, which corresponds to 3.7% of the Croatian economy's GVA. The Agricultural Strategy until 2030 adopted by the Ministry of Agriculture of the Republic of Croatia defines the vision and strategic goals for the improvement of the rural economy, the realisation of which should contribute to the

overall economic development of Croatia. The strategic vision is organised into four strategic objectives (Ministry of Agriculture, 2020): 1) increasing the productivity and resilience of agricultural production to climate change; 2) strengthening the competitiveness of the agricultural and food sector; 3) rebuilding the rural economy and improving living conditions in rural areas, and the horizontal objective 4) promoting innovation in the agricultural and food sector. The realisation of these objectives is supported by financial assistance from the state budget of the Republic of Croatia and/or the budget of the European Union. However, the focus of the paper is not on government spending on agriculture, although its importance and scope cannot be ignored. The research is focussed on the opposite side – it started from the impact of agriculture on the budget through the tax contributions of agricultural producers. Namely, at the beginning of business activity, owners of family farms in Croatia have the legal possibility to choose a tax system, which is reflected in the specifics of their accounting obligations and the need to prepare and submit various types of financial reports. While some of them are not obliged to be included in any tax system, others opt for a flat-rate tax system, some prefer to pay income tax and others profit tax. This choice has a direct impact on their reporting obligations and the accounting records they have to keep.

The aim of the paper is to analyse the choice of the system of business result taxation by the owners of family farms and to expand the existing knowledge about the influencing factors on the basis of which the owners of family farms make this important decision. The basic research questions were therefore posed:

- Which system of taxation of farm business results is favoured by family farm owners?
- What are the most important influencing factors that determine the affiliation to a particular tax system?

The paper is organised as follows. The second section provides an overview of the most important characteristics of family farms, analysing the situation in Croatia in this area. The third section explains all the options that the legislation prescribes and that are available to family farm owners when trying to choose the best possible tax systems for the results of family farms. This is followed by the fourth section, which deals in detail with the results of the empirical analysis. Finally, the fifth section contains conclusions.

2. DETERMINANTS OF FAMILY FARMING WITH SPECIAL CONSIDERATION OF THE SITUATION IN CROATIA

Food and Agriculture Organization of the United Nations (FAO) distinguishes between the substantive and the statistical definition of family farms (FAO, 2024).

According to the substantive definition, family farming is “a means of organizing agricultural, forestry, fisheries, pastoral and aquaculture production which is managed and operated by a family and predominantly reliant on family capital and labour”. Essentially, it is about the joint development and combination of economic, environmental, social and cultural functions within the family/farm. According to the statistical definition, a family farm is "an agricultural holding which is managed and operated by a household and where farm labour is largely supplied by that household." In line with this definition are the statements by Defilippis (2005), who points out that there are three essential constitutive elements of a family farm:

- the family or household in which the agricultural activities are carried out;
- property as the basis of production, i.e. the material basis of agricultural activity. Land and the necessary equipment are usually owned by the family or the owner of the family farm, but there are also cases where they are leased or rented out;
- production unit, consisting of property (land and means of production) and labour (which is largely provided within the family).

Particularly with regard to the elements described, i.e. the different sources of labour and capital, two basic forms of organisation can be identified that predominate in agriculture: corporate farming and family farming. Their main differences are shown in Table 1. In addition, the FAO distinguishes between family business farms and family farms within family farming.

Table 1. Types of farming

	Corporate farming	Family farming	
	Firm	Family business farm	Family farm
Labour	Exclusively hired	Mixed: family and hired workers	Exclusively family members
Capital	Stakeholders	Family ownership	Family ownership

Source: FAO (2024)

It can be concluded that the basic difference between family business farms and family farms is the use of paid labour. On a family business farm, the owner employs permanent paid workers, whereas on a family farm all activities are carried out exclusively by the labour of the owner and family members. According to Eurostat (2023), more than 90% of the 570 million farms worldwide are run by an individual or a family and rely primarily on family labour, while in 96.9% of family farms in Croatia, 50% or more of the agricultural labour force is provided by family members.

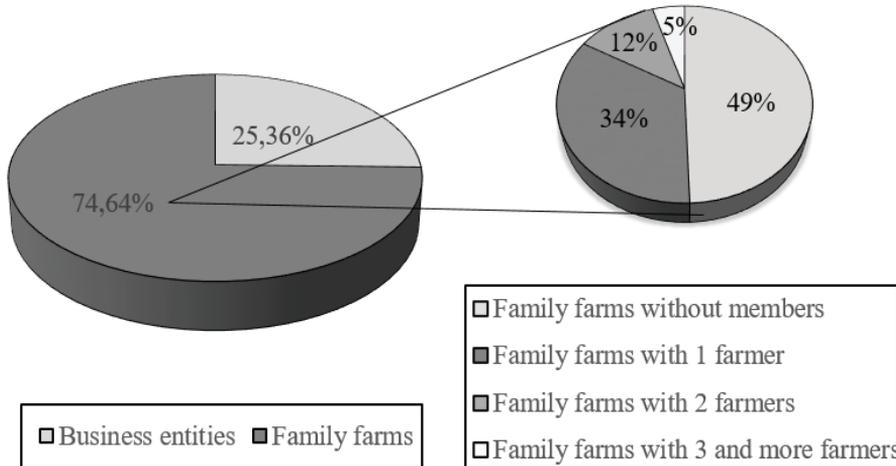
Family farms not only produce more than 80% of the world's food value (FAO, 2024), but also contribute to the preservation of tradition, natural resources, rural areas and biodiversity. In the traditional sense, the family is seen as the nucleus of society, and just as the nucleus is protected by a shell, so the family is protected and insulated in the form of a smaller or larger group in which human, cultural and historical values are preserved and promoted. Within this community, an attempt is made to ensure existential continuity and it is to be expected that the same traditional values will be woven into family farms. Of course, family farms also have their weaknesses, which can be seen in the fragmentation of ownership, the relatively low capital employed, the weaker technical equipment, and so on. However, despite their limited capacities, family farms have taken on a leading role in agricultural activities during the pandemic and have demonstrated their ability to adapt to different situations and survive. During the pandemic, European farmers suffered significant economic losses due to the disruption of the supply chain and/or the closure of certain trade channels (Montanari et al., 2021). However, it has become clear for the first time that family farms have adapted more successfully and quickly to the new situation. The adaptation was primarily reflected in their offer, which was adapted to consumer preferences, i.e. the increasing interest of consumers in buying food online. They also overcame the labour shortage more easily. Namely, labour shortages, which are becoming increasingly common in European economies in particular, mainly affect large companies. This situation represents an opportunity for a more intensive participation of family farms as suppliers on the markets for agricultural products, as production on these farms is based on the labour of family members, accompanied by a rational use of internally available capacities and resources.

The European Green Deal is at the top of the European Union's list of priorities for the 2021-2027 Financial Perspectives, and in terms of agriculture, its main objective is to achieve sustainable food systems, which are a prerequisite for connecting healthy people, healthy societies and a healthy planet. (European Commission, 2019). The Common Agricultural Policy and the "Farm to Fork" Strategy are designed to develop fair, healthy and environmentally friendly food systems that contribute to combating climate change, protecting the environment and preserving biodiversity, while ensuring a decent living for farmers, fishermen and their families. In Croatia, the funds provided by the EU are used in the broader sense to strengthen and increase the resilience of agriculture and to improve living conditions in rural areas, while in the narrower sense - at the level of family farms - they are used for modernisation, restructuring and training in the use of new techniques.

The highlighted funds are intended for all enterprises whose main activity for which they are registered is precisely agricultural production, and in Croatia, according to the Paying Agency for Agriculture, Fisheries and Rural Development, 164,629 were

registered as of 31 December 2023. 122,879 (approx. 75%) of them are registered as family farms. (PAAFRD, 2024). Data on the number of entities by legal form and by agricultural area farmed by each form are shown in Figure 1.

Figure 1. Structure of the agricultural sector in 2023



Source: author's preparation based on data from PAAFRD (2024)

It is important to note that the holder of a family farm cannot be the owner or a member of another family farm at the same time, while the members of a family farm are all engaged members of the family or household. A family farm does not necessarily have to have members, i.e. the farmer can also be the only member of the family farm.

Agricultural business entities own and use on average ten times more land area than family farms, but this fact does not diminish the significance of family farms. On the contrary, the total number of family farms and consequently the total area of land they use, make this form of organisation very influential on a global level.

For the survival and development of family farms, it is not only important to manage the production processes on the farm or to create new communication and distribution channels, but also to achieve synergy effects in the area of accounting. This is reflected in the choice of the optimal taxation system, which also implies the fulfilment of the company's accounting requirements with regard to the recording of business transactions. The following chapter presents the options from which family farm owners should choose the one that best suits their needs.

3. THE POSSIBLE POSITION OF FAMILY FARMS IN THE CROATIAN TAX SYSTEM

The obligation of family farms to pay taxes according to the respective tax system: flat tax, income tax or profit tax, or the non-obligation to any tax system depends directly on the amount of their annual cash receipts. According to the Income Tax Act (Official Gazette No. 115/16) and the latest Amendments to the Income Tax Act (Official Gazette No. 114/23), a family farm, i.e. its owner, is not subject to income tax if it generates receipts from the sale of its own products in unprocessed form up to the amount of EUR 10,685. However, if the receipts are higher than the specified amount, the owners have the option of choosing the taxation system. They can choose between flat-rate taxation, taxation with income tax or with profit tax. In practise, however, there are some situations in which owners are forced to choose a specific taxation system. For example, VAT payers cannot be included in the flat-rate taxation system, nor can taxpayers who receive income from the sale of processed agricultural products, regardless of the amount of income obtained in this way. Taxpayers who had total receipts of more than 1,000,000 euros in the previous accounting period must join the profit tax system. On the other hand, the owner of the family farm can voluntarily decide to join the profit tax system instead of the income tax system, regardless of the amount of actual receipts in the previous accounting period. In this case, he must submit a written declaration of his decision to the tax administration, which obliges him to remain in the chosen system for at least three years.

Table 2. Basic determinants of the different tax systems

TAX SYSTEM	ADMISSION REQUIREMENT	TAX BASE	TAX RATE
FLAT-RATE TAXATION	TOTAL RECEIPTS (up to EUR 40,000)	ANNUAL TAXABLE INCOME (TOTAL RECEIPTS REDUCED BY 85% OF THE TAX-ALLOWABLE EXPENDITURES)	12%
TAXATION WITH INCOME TAX	TOTAL RECEIPTS (up to EUR 1,000,000)	ANNUAL INCOME (up to EUR 50,400)	15% - 23.6% (20%)*
		ANNUAL INCOME (higher than EUR 50,400)	25% - 35.4% (30%)*

TAXATION WITH PROFIT TAX	TOTAL RECEIPTS (higher than EUR 1,000,000)	PROFIT (TOTAL REVENUES REDUCED BY TOTAL TAX-ALLOWABLE EXPENSES)	10% (revenues up to EUR 1,000,000)
			18% (revenues higher then EUR 1,000,000)

* If the competent local self-government body does not prescribe the tax rates within the highlighted limits, a rate of 20 % and a rate of 30 % are used

Source: author's preparation based on data from Ministry of Finance – Tax Administration (2024)

The tax obligations arising from the choice of a particular tax system are shown in Table 2, which lists the main determinants of each system (the condition that allows entry into a particular tax system, the tax base and the applicable current tax rate).

Based on the Value Added Tax (VAT) Act (Official Gazette No. 73/13) and the latest Amendments to the Value Added Tax Act (Official Gazette No. 114/23), there are also several options for family farms to be included in the VAT system. The owner can join the VAT system voluntarily or is obliged to do so if the value of the supplies exceeds 40,000 euros. Family farms can be included in the group of so-called "R-2 taxpayers" if they use a cash-based accounting system in which the VAT liability is only arises on the outgoing invoices collected and the VAT refund is only made on the incoming invoices paid. Another option is to calculate VAT on an accrual basis, i.e. based on the value of the outgoing invoices issued and the incoming invoices received. However, as the analysis in this paper only relates to the choice of system for taxing the final business result, the VAT system will not be considered further.

Each tax system means not only a different tax liability for taxpayers, but also the obligation to keep different accounting records (Božina et al., 2022). In the case of flat-rate taxation, owners only have to keep a turnover ledger in which they enter both cash and non-cash receipts. Under the income tax system, the records are kept according to the principles of simple-entry accounting, while the business books are limited to a cash inflows and outflows ledger, a list of non-current assets and a list of receivables and payables. The profit tax system implies the most complex records of business transactions, where taxpayers must follow the principles of double-entry accounting and keep all basic business books: Journal and General Ledger and all necessary subsidiary ledgers. They also have the same reporting obligations as companies, i.e. they must submit an annual balance sheet and profit and loss account.

The Green Report for 2022 (Ministry of Agriculture, 2023) contains statistical data on the agricultural sector in Croatia. Report includes data on prices of agricultural products and gross domestic product obtained, the number and structure of employees in agriculture, resources used, land ownership, Croatia's self-sufficiency in agricultural products, foreign trade and numerous others. However, data on the affiliation of family farms to one of the described tax systems has not been published. Given the lack of academic and professional literature dealing with this area, the topic of tax system choice appeared as a challenge and an opportunity for a scientific contribution. This paper is therefore a pioneering attempt to answer the following questions: Which tax system is favoured by family farm owners and what factors influence their choice?

4. METODOLOGY OF RESEARCH

Before starting the research, it was decided to observe the distribution of family farms according to the NUTS (Nomenclature des Unités Territoriales Statistiques) regions, a classification created by Eurostat (2024) to collect various data and perform socio-economic analyses. The NUTS classification defines the areas (regions) of a country in relation to the number of inhabitants, and according to this criterion, Croatia is divided into four regions: Pannonian, Adriatic, Northern Croatia and the City of Zagreb (National Classification of Statistical Regions 2021, 2019).

Table 3. Distribution of family farms by NUTS regions in Croatia in 2023

NUTS region	Number of family farms	Share of family farms by NUTS (in % of the total number)	Respondents in the sample	
			Number	%
Pannonian Croatia	47,608	38.75	114	39.58
Adriatic Croatia	40,284	32.78	101	35.07
City of Zagreb	4,143	3.37	10	3.47
Northern Croatia	30,844	25.10	63	21.88
TOTAL	122,879	100.00	288	100,00

Source: author's preparation based on data from National Classification of Statistical Regions 2021 (2019) and PAAFRD (2024)

The distribution of family farms by NUTS regions and corresponding structure of the sample are shown in Table 3. As mentioned in Chapter 2, according to PAAFRD statistics, 122,879 family farms were registered in Croatia on 31 December 2023. The data presented in Table 3 show that most family farms are registered in Pannonian Croatia (38.75 %), which is to be expected considering the natural peculiarities of this area. An attempt was also made to achieve a similar structure of family farms by NUTS region in the sample, so most respondents from the Pannonian Croatia area were included in the sample.

When including respondents in the sample, the contacts from the previous survey on the impact of the coronavirus pandemic on the business results of family farms conducted by Lončar, Bilić and Ižotić (2023) were used. The experience with the aforementioned research, in which respondents were randomly selected and a response rate of only 7% was achieved in the first attempt - when the surveys were sent out via the email addresses published on the websites of the farms, was taken into account. It was therefore decided to contact respondents who had already participated in previous research and most of them completed the survey. More specifically, the number of respondents from the previous research (310) was slightly lower (288), but still sufficient to draw relevant conclusions.

The research instrument used was a questionnaire created in Google form and the survey was conducted between February and May 2024. The questions in the first part of the questionnaire related to the demographic characteristics of the respondents - owners of family farms. These were questions about the gender, age and education of the respondents. This was followed by questions on the characteristics of family farms: the number of members, the products produced on the farm, the financing methods and the ownership of the production resources. In the third part of the questionnaire, questions were asked about the tax system and the reasons for choosing a particular system. The IBM SPSS Statistics Version 27 programme package was used to process the data and perform the descriptive statistical analysis. The results obtained and their interpretations are presented below.

5. RESULTS AND DISCUSSION

The results of the descriptive analysis regarding the general information about the respondents - owners of family farms are presented in Table 4.

Table 4. General information about the respondents - owners of family farms

	Frequency	Percentage
Gender		
Male	213	73.96
Female	75	26.04
Total	288	100.00
Age		
– 30	31	10.76
31 – 40	67	23.26
41 – 50	70	24.31
51 – 60	63	21.88
61 +	57	19.79
Total	288	100.00
Education		
Primary	47	16.32
Secondary	84	29.17
Higher	157	54.51
Total	288	100.00

Source: author's preparation based on data from empirical research

The data presented in Table 4 show that most respondents are male (74%), in the middle age (24%) and as many as 55% of respondents have a higher level of education. The characteristics of the sample cannot be completely identified with the analysed population, but the resulting differences have a logical explanation. According to the PAAFRD data (2024), the majority of family farm owners are indeed male (71%), which is consistent with the result of the sample analysis. However, differences emerge when looking at the structure by age and education. In the population as a whole, more than half of family farm owners (51%) are over 61 years old, and only 14 % are under 40 years old. In the sample, the largest proportion of respondents is up to 40 years old (34%), while the other age groups are roughly equally distributed. If we exclude from the PAAFRD data those owners of family farms for whom no information on education level is available, the largest proportion is accounted for by owners who have completed secondary school - 56%. In the sample analysed, 54% of respondents have a university degree or more. The reasons for the discrepancies can be explained by the fact that older people and people with a low level of education generally refuse to participate in a survey, either because they are not familiar with working on a computer or because they fear that their data will be misused.

The characteristics of the farms according to the data collected are:

- about 31% of the owners from the sample are the only member on the farm. From a strategic point of view, it would make much more sense to involve as many family members as possible in the family's farming activities, as this does not limit their employability with another employer, does not increase production costs and allows work tasks to be carried out without the use of external labour.
- Fruit and vegetables are the two most represented products on Croatian family farms. In fact, 18% of family farms indicate that the sale of fruit is the main source of their revenues, while 13% indicate the sale of vegetables. The other products represented (olive oil, milk, cereals...) vary depending on the region and weather conditions.
- The vast majority of family farm owners (88%) rely exclusively on their own internal sources of finance. Access to external sources of finance is difficult for family farms and they are not sufficiently familiar with all the possibilities. The use of specific European Union funds is slightly more common (less than 25% of owners reported using them), but they are only used by family farms that fulfil certain conditions in terms of owning a certain amount of land, growing certain crops, etc.
- In addition to privately owned agricultural land, which by law is the main prerequisite for a family farm, almost 90% of the farmers in the sample own certain equipment or facilities as additional non-current assets

The responses of family farm owners to the main part of the questionnaire relating to the choice of tax system are shown in Tables 5 and 6.

Table 5. The choice of a particular tax system

	Frequency	Percentage
Not obliged to any tax system	130	45.14
Flat-rate taxation	46	15.97
Taxation with income tax	84	29.17
Taxation with profit tax	28	9.72
Total	288	100.00

Source: author's preparation based on data from empirical research

Most family farms in Croatia are not subject to any tax system (45%), and of those that are subject to a specific tax system, the majority fall under the income tax system. A simpler accounting procedure for recording business transactions was highlighted as the main reason for this choice of tax system by family farm owners. As already explained, income tax subjects use cash accounting, on the basis of which they only have to record transactions related to cash inflows/outflows (Žager and Dečman,

2015). They use simple-entry accounting, while their business books are limited to cash inflows and outflows ledger, a list of non-current assets and a list of receivables and payables. As a result, 42% of income taxpayers keep their business books themselves, in 9% of cases the business books are kept by a family member or an employee of the family farm, while the rest family farm owners entrust the accounting evidences to authorised accounting services. It is interesting to note that 24% of taxpayers who are included in the profit tax system state that they joined the profit tax system voluntarily, while 76% were forced to do so by law. The situation is somewhat different when it comes to keeping business books. Only 29% of family farm owners keep the books themselves or with the help of family members or farm employees, while the others have opted to outsource their accounting.

The data in Table 6 shows the factors that the owners of family farms consider “not important” to “very important” for their voluntary decision to join a particular tax system. The offered influencing factors were determined on the basis of interviews conducted with several family farm owners from Dubrovnik-Neretva County prior to conducting the research. All interview questions were discussed with them to verify their accuracy. The owners of the family farms agreed that the proposed selection of factors covered all possible reasons for choosing a particular tax system. To allow for the possibility of an unforeseen factor, the option "Other" was also offered, which provided space to enter factors, but none of the respondents chose this option. The data in the table shows that some of the family farm owners indicated that each factor was very important to some extent in their decision about the tax system.

Table 6. Factors influencing the decision to join a particular tax system

Factor	Not important	Somewhat important	Very important	Mean	Std. Deviat.
Simplicity of the tax system (Factor 1)	14.9%	21.9%	63.2%	2.4826	0.740
Accounting requirements arising from the tax system (Factor 2)	7.3%	20.5%	72.2%	2.6493	0.610
Ability to influence the business result (Factor 3)	17.4%	11.1%	71.5%	2.5417	0.772
Recommendation of other owners of family farms (Factor 4)	29.5%	21.5%	49.0%	2.1944	0.864

Previous personal experience with the chosen tax system (Factor 5)	56.2%	27.8%	16.0%	1.5972	0.748
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Source: author's preparation based on data from empirical research

As the influences on the choice of tax system were rated on a 3-point Likert scale from highest to lowest, it was found that only the influence of previous personal experience (1.5972 + 0.748) was close to the average, while all other influencing factors recorded above-average responses.

The significance of the individual variables is tested with a t-test for a random sample, with 2 being used as the test value. The results are shown in Table 7.

Table 7. One-Sample Test

Factor	t	df	Test value =2		95% Confidence Interval of the Difference	
			Sig. (2-tailed)	Mean Difference	Lower	Upper
Factor 1	11.07	287	6.03×10^{-24}	0.4826	0.3968	0.5684
Factor 2	18.09	287	.000	0.6493	0.5786	0.7200
Factor 3	11.91	287	.000	0.5417	0.4520	0.6314
Factor 4	3.82	287	0.00014	0.1944	0.0942	0.2946
Factor 5	-9.13	287	3×10^{-10}	-0.4028	-0.4895	-0.3152

Source: author's preparation based on data from empirical research

The T-statistics provide strong evidence of large differences between the sample mean and the test value of 2 (hypothetical mean). The sample mean is significantly higher than 2 for the first four factors and significantly lower than 2 for the last factor, while 2 represents a moderate level of importance. The p-values reported for all factors show an extremely high statistical significance. With 95% confidence, the actual mean difference lies between the confidence intervals, and since this range does not include zero, the conclusion of a significant difference from the hypothetical mean is supported. The positive mean differences calculated for factors 1, 2, 3 and 4 indicate that the mean rating

of respondents is much higher than the hypothetical mean. So, it can be concluded that family farm owners rate the simplicity of the tax system (factor 1), the accounting requirements resulting from the tax system (factor 2), the possibility of influencing the business result (factor 3) and the recommendation of other owners of family farms (factor 4) as quite important for their choice of tax system. Negative t-statistics combined with an extremely low p-value indicate that "previous experience" is rated statistically significantly below the assumed level of importance. The data suggest that respondents generally do not consider "previous experience" to be particularly important for their choice of tax system. Thus, this factor does not appear to have any influence for most respondents.

Excluding the legal obligation as a reason for choosing a particular tax system, the results of our study suggest that the simplicity of accounting, i.e. a relatively simple system of financial reporting, and the estimated greater possibility of influencing business results are the main reasons for the choice of tax system by the owners of family farms as taxpayers. It is somewhat surprising that these two factors were selected as the most important factors for inclusion in a particular tax system, especially considering that family farm owners often emphasise their inadequate accounting knowledge and skills. The literature also points out that family farm owners do not use accounting to the extent that they could/should, and that banks and tax authorities are the main reason why farmers keep accounting records in the first place. In the agricultural environment, the usefulness of accounting information for business organisation and process management is often not recognised (Grgić, Očić and Šakić Bobić, 2015). According to the study by Crnčan and Ranogajec (2012), only 28% of family farm owners stated that they recognise the benefits of accounting records. The general conclusion from the relevant literature is that only a minority of farmers keep and use accounting records other than statutory reports (Jack, 2005), which points to the need to educate this population about accounting and to communicate to them all the opportunities and potential benefits that can be realised through more intensive use of accounting records and reports.

6. CONCLUSION

Despite its relative importance to the economies of many countries and its increasing interdependence with other sectors, agriculture has not traditionally received much attention from accounting researchers, practitioners and standard setters (Argilés and Slof, 2001). Therefore, this research tried to contribute to the existing accounting literature related to agriculture by considering the issue of choosing a taxation system by family farm owners. As shown in the research, the issue of taxation is not only the focus

of tax accounting, but it is determined by the accounting knowledge of the taxpayer, and it also has implications for the accounting system that is in use. Given the lack of academic and professional literature dealing with this area, the topic of tax system choice can be characterised as a pioneering attempt to answer the question of the tax system preferred by family farm owners and the factors that influence their choice.

The research was conducted on a sample of 288 family farm owners that responded to an online questionnaire to express their opinion on the choice of tax system to which they belong. After collecting and analysing the data, the results indicate that 45% of family farms in Croatia are not subject to any tax system, and of those that are taxable, the majority have opted for the income tax system. On the other hand, three quarters of taxpayers who are included in the profit tax system were forced by law to join this system. The main advantage of the income tax system is the simplicity of the accounting records and reports that taxpayers have to submit. In addition, family farm owners cited the ability to influence business results as a decisive factor in their choice. However, a major disadvantage highlighted by family farm owners was that they do not have sufficient accounting knowledge and skills to manage business performance and make decisions based on accounting data. The conviction expressed by family farm owners could serve as a good starting point for the development of strategies that promote accounting education and encourage engagement in this field, with the aim of improving not only personal accounting skills but also the organisational performance outcomes that would result from personal progress.

This research can be extended to analyse the data obtained using simulation and modelling techniques. However, a very interesting option could be to continue the research by analysing the level of knowledge of family farm owners in the field of accounting and extending it from taxation to other areas of accounting. Future research can analyse what family farm owners' accounting knowledge consists of in their (subjective) opinion and focus on formulating a set of questions that can be used to objectively examine accounting knowledge not only among family farm owners but also among all other population groups, not only in the agricultural sector but also in all other economic sectors.

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ODABIR SUSTAVA OPOREZIVANJA POSLOVNOG REZULTATA OBITELJSKIH POLJOPRIVREDNIH GOSPODARSTAVA

Iris Lončar

Sažetak

Na početku poslovanja vlasnici OPG-ova u Hrvatskoj imaju zakonsku mogućnost izbora sustava oporezivanja (paušalni porez, porez na dohodak, porez na dobit ili ne-ulazak u bilo koji porezni sustav), što determinira vrstu njihovih obveznih računovodstvenih evidencija te set obveznih financijskih izvještaja koje moraju sastavljati. Bilo je stoga zanimljivo analizirati koji čimbenici utječu na njihov izbor sustava oporezivanja, pa je kao glavni cilj istraživanja definirano identificiranje čimbenika kako bi se na njih moglo utjecati ako se počne zamjećivati njihovo ograničavajuće djelovanje u bilo kojem smislu. U članku su prikazani rezultati ankete provedene među 288 vlasnika OPG-ova u Hrvatskoj. Analizom prikupljenih podataka utvrđeno je da je većina OPG-ova u sustavu oporezivanja porezom na dohodak. Tek nešto manje od četvrtine vlasnika OPG-ova koji su u sustavu oporezivanja porezom na dobit dobrovoljno je odabralo ovaj porezni sustav, dok je zakonska obveza predstavljala razlog ulaska u ovaj sustav ostalih njegovih obveznika. Vlasnici su istaknuli kako su na njihov izbor najviše utjecali jednostavnost računovodstvenog evidentiranja i financijskog izvještavanja, te s njihove strane procijenjena veća mogućnost utjecaja na rezultate poslovanja. Predstavljeno istraživanje je ograničeno na identifikaciju čimbenika koji utječu na odabir sustava oporezivanja, pa bi se ono moglo iskoristiti kao smjernica za daljnje analize kroz koje bi se kvantificirao utjecaj pojedinih čimbenika, čime bi se u konačnici omogućilo smanjenje njihove značajnosti.

Ključne riječi: *obiteljska poljoprivredna gospodarstva; odabir sustava oporezivanja; porez na dohodak; porez na dobit; paušalno oporezivanje.*