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## Indirect financing in culture on the example of tax relief in the video game industry

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### Summary

Balancing the functioning of various public, non-governmental and private entities present in the culture area becomes an important task of the state, which not only is aware of the need to organise cultural sector optimally but it also wants to deliberately stimulate demand in the culture through different instruments encouraging desired behaviours of tax payers. Tax relief for cultural video game producers in Poland, as a form indirect financing, is an interesting subject remaining in the background of discussions on financing the culture. The aim of the study is to analyse the conditions for the introduction of such tax preference considering examples of similar fiscal solutions in the international dimension.

**Keywords:** taxes, tax relief, video game industry, creative sector, cultural industries, cultural test

# Indirect financing in culture on the example of tax relief in the video game industry

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## Abstract

Balancing the functioning of various public, non-governmental and private entities present in the culture area becomes an important task of the state, which not only is aware of the need to organise cultural sector optimally but it also wants to deliberately stimulate demand in the culture through different instruments encouraging desired behaviours of tax payers. Tax relief for cultural video game producers in Poland, as a form indirect financing, is an interesting subject remaining in the background of discussions on financing the culture. The aim of the study is to analyse the conditions for the introduction of such tax preference considering examples of similar fiscal solutions in the international dimension.

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## Introduction

The literature on the subject emphasises the need for a state's multi-sectoral approach to shaping public policies (welfare pluralism), (Grewiński, 2009), which can also be referred to the essence of the functioning of cultural policy conditioning the mechanisms of financing culture. The concept of a multi-sectoral approach to shaping public policies notices that not only the state and the public sector contribute to social welfare, but also the civil sector (Grewiński, 2009) as well as the

private or informal sector (e.g., family, social groups, friendships). In the context of the cultural sphere, this balance is a kind of signpost for the state, which is the dominant entity regulating, organising and financing culture in Poland. In public cultural policy one can see an increased tendency to take measures regulating or stimulating the development of this sphere: in various legal solutions (among others, Public Private Partnership Act, Public Benefit and Volunteer Work Act), institutional (establishment of new culture institutions) as well as financing methods (the so-called library royalties – PLR, vouchers in culture in Małopolskie province, discounts on participation in culture, – e.g., as part of the Big Family Card, “Museum for PLN 1” or “Free November” programmes, reduced VAT rate on books, 50% tax deductible costs for authors). These actions are part of a pluralistic way of thinking about culture as a field of activity of public entities, but also non-governmental organisations and the private sector. The joint functioning of various entities and sectors in the field of culture, characterised by different norms and values, rules of operation, including ways of financing their activities, can be (Grewiński, 2009) a way to effectively achieve social goals, and in a narrower sense also cultural ones.

Balancing the functioning of various entities in the culture: public institutions, non-governmental and private institutions, and balancing the financing of the cultural sphere from various sources (public – central and local government, non-governmental and private – mainly by supporting companies and private individuals) becomes an important task of the state, which not only recognises the need for optimal organisation of the cultural sector (supply side), as well as a broad, conscious stimulation of demand in culture through various instruments stimulating taxpayers’ behaviour. Indirect financing is one such instruments. It often remains somewhat in the background of discussions on financing culture because of the difficulties in quantifying the scope of this type of funding.

The article deals with the topic of indirect financing in culture on the example of a proposed tax relief for producers of cultural video games in Poland. The aim of the study is to analyse the conditions for introducing such a tax preference with references to similar examples in international terms.

## The essence of tax reliefs

Taxes are non-returnable and compulsory (Act of 29 August 1997. Tax Code, Art. 6). They constitute public revenues of the state and local governments, which use it, among others, for financing tasks within the cultural sphere. The structure of taxes in a given country results from the legislator’s adopted assumptions, among which fiscal and non-fiscal functions play an important role. One of the chosen directions

in designing the tax system is to deliberately stimulate specific taxpayer's behaviours, which is possible to achieve, among others, through applying tax preferences. Their shape and need for implementation are based on the principle of tax justice, which forces different treatment in terms of taxation of entities in different situations (vertical tax justice) or equal tax liability of entities which are in the same situation (horizontal social justice) (Nykiel, 2002).

In OECD terms, tax preferences are "the transfer of public funds as a result of reducing the tax liability in relation to the adopted tax standard" (MF, 2016, p. 10). Such an exception results directly in "reducing the tax burden for the beneficiary of the preference" (MF, 2016, p. 9). Tax preferences can take various forms (e.g., tax reliefs, tax exemptions, tax credit), (Wyrzykowski, Kasprzak, 2016; Podstawka, Deresz, 2011; Sikorski, 2017).

In accordance with Art. 217 of the Polish Constitution, tax reliefs are introduced by statute (Polish Constitution 1997). The total number of tax preferences according to the report "Tax preferences in Poland 2015" is 194. The most important taxes from the perspective of state's budget revenues are: value added tax (VAT), personal income tax (PIT), corporate income tax (CIT). In culture, the most commonly used tax preferences under the abovementioned taxes include in particular a reduced VAT rate (e.g., 5% VAT on books) or the possibility of deducting up to 1% of tax due to a public benefit organisation (the so-called 1% mechanism). It is estimated that in 2015, the value of tax preferences reducing the revenues of the state budget and the income of local government's units in Poland totalled PLN 90.7 billion, which accounted for 5.04% of GDP (MF, 2016, p. 5). In 2015, tax preferences in the area of education, science, culture and sport (combined) constituted 4.6% of the total preferences existing in the tax system (PLN 4.2 billion, i.e., 0.23% of GDP), (MF, 2016, p. 4). The value of tax preferences in this area according to individual types of taxes is shown in Table 1.

**Table 1. Tax preferences in the area of education, science, culture and sport (combined) in 2015**

Types of taxes	Value	% of GDP
VAT	PLN 3.5 billion	0.20
CIT	PLN 125 million	0.01
PIT	PLN 64 million	0.00

Source: MF (2016, p. 25).

Direct and indirect forms of support have different consequences from a public policy perspective (Hemels, Goto, 2017). Tax preferences as an indirect form of support

reduce state revenues. In this situation, the budget of the state (or of a municipality) receives less funds than it would have received if the preference had not functioned. This means that the government must either increase taxation or raise funds from other sources (e.g., loans) or reduce expenses to maintain the same level of funding.

There are two main functions of taxes: fiscal and non-fiscal (distributive, stimulative and informative), (Wyrzykowski, Kasprzak, 2016). In addition to the fiscal function of collecting state budget revenues, taxes also pursue social goals. "They are aimed at reducing the differences in the level of income or even assets owned. Others goals include striving for levelling chances for members of a given community, for example, through making available subsequent levels of education. It is quite important, when we think about tax reliefs, to remember about the goal of encouraging the society to dedicate to decent purposes" (Kasprzyk, Kondraciuk, 2016, p. 21), including cultural ones.

In the context of this article, a stimulating function will be shown based on activating specific taxpayers' behaviours, e.g., by providing entrepreneurs in the creative sector with tax-favourable development conditions. Through this, the state can stimulate (in the sphere of culture, e.g., a reduced VAT rate should stimulate demand for these goods) or inhibit economic entities, but also entities in the non-governmental sector and natural persons. The use of tax reliefs allows to achieve important, from the economic perspective, effects such as increased consumption or increased competitiveness of companies.

## Indirect financing in culture

The public, dominant funding source of culture in many countries in the form of direct grants or subsidies is often limited, which is visible in the expenditure on culture which is decreasing or not showing an adequate growth dynamics. This situation forces the search for other solutions to finance tasks in the sphere of culture. Research in the field of cultural policy shows that indirect support of culture by the state is an important element of conducting cultural policy (Bouuaert, 1975; Bouuaert, 1977; Throsby, 2010; Towse, 2011), contributing to the activation of various entities from various sectors in this field, as a unified system of public support in culture cannot meet all cultural needs and cannot be effective (Feld et al., 1982; Schuster, 1986). This is the starting point for the reflection on the need for a multi-sectoral approach of the state to shaping cultural policy.

A close relationship can be observed between cultural policy and fiscal policy (Schuster, 2006). In the United States, the home of indirect financing instruments, support for culture as a part of various taxes is a more important funding source

than governmental direct support programmes (Feld et al., 1982), with tax deduction possibility for charities operating in cultural sphere being the dominant form. In this respect, the American model of cultural support is characterised by a high degree of dependence on private donors – both individuals and companies (Schuster, 2006). The United States constitutes a frequent reference point for other countries designing such fiscal solutions, especially in Western Europe, but in practice the differences between individual applications of the solutions are significant (International Center for Not-for-Profit Law, 2002; International Federation of Arts Councils and Culture Agencies, 2003).

Currently, many countries are introducing tax breaks that stimulate competitiveness in the region and economic development not only for cultural entities in the non-governmental sector, but also for entities from the private sector, mainly creative industries (Hemels, Goto, 2017):

- reliefs for the film industry (e.g., Saudi Arabia not only lifts the ban after 35 years on watching movies, opening the first cinema in the capital, but also announces system solutions to stimulate the development of the entertainment sector, including the film industry, e.g., establishing Ministry of Culture and the regional film fund – Saudi Film Council, reimbursement of film production costs up to 35%, reimbursement of personnel costs up to 50% when employing Saudis for film production (Goodfellow, 2018),
- reliefs on the art market (e.g., the United States, where it is possible to defer or abolish, subject to additional conditions, tax on capital gains – capital gains relief. It is possible after the introduction of the Tax Cut and Jobs Act in 2017 and applicable when profits are reinvested within 6 months for the purpose of economic stimulation in selected special zones, the so-called opportunity zones (Opportunity Zones, 2019; McAndrew, 2019).

Fiscal policy plays an important role in many aspects of cultural policy. Tax incentives can be seen as alternatives to direct budgetary means. Schuster (2006) notes that indirect funding, including tax incentives is more often subject to experiments and is characterised by greater innovativeness and diversity than direct support. An example of this is the income tax exemption for artists in Ireland for an annual income of up to EUR 50,000 (Molenaar, 2017), relief in Great Britain for theatrical productions, orchestral productions and organisation of exhibitions (HM Revenue & Customs, 2007) or the so-called super deduction, i.e., deductions exceeding 100% of the financial contribution (e.g., in 2002 the possibility of deducting 200% of financial donations for public institutions was introduced in Singapore) (Schuster, 2006). Tax preferences are designed, for example, to attract artists to revitalised parts of cities (Schuster, 1999; Frost-Kumpf, 1997; Roodhouse 2006), and also play an important role in reducing relative costs of selected cultural goods and services

(e.g., reduced VAT rate for books (Colbjørnsen, 2015; Rouet, 1999), or they are used as an incentive for visual art creators to design collections of works important for the country of artists' origin (e.g., income tax payable in kind, the so-called *Pago en Especie* in Mexico (Bogdanovich, 2016).

Among the premises for the introduction of fiscal solutions supporting creative industries, one finds (Goto, 2017):

- cultural policy factors: striving for high quality, innovativeness and accessibility in a given area, recognition and promotion of national, regional, local identity, maintaining continuity in a given industry, supporting diversity;
- economic factors: positive externalities, the impact of creative industries on the economy, the problem of cost disease affecting especially performing arts, where technological progress is not positively correlated with the increase in salaries, which leads to a permanent human deficit in this market (Baumol, Bowen, 1966) and a strive to reduce the negative effects of the cost structure of many creative industries, characterised by high sunk and fixed costs as well as low marginal costs.

Research by Peter Inkei (2001) shows the approach to tax solutions in culture from the perspective of conditions of Central and Eastern Europe. Inkei is sceptical about the functioning of tax incentives designed for the private sector involved in the development of non-governmental organisations in culture. The report notes that more attention is devoted to corporate support (closer to sponsorship) than individual (closer to donations), which is characteristic of the conditions of Central and Eastern Europe.

## Relief for producers of cultural video games

The value of the global video game market in 2017 was estimated at around USD 110 billion, and according to forecasts in 2030 this value will exceed USD 130 billion. Producers from China and the U.S. are leaders when it comes to the amount of revenue from the sales of video games – in both cases it is worth around USD 24 billion, which also reflects the popularity of cultural patterns and content originating from the Chinese or American cultural circle. Extremely interesting data relate to the Asian market – the share of the countries of this region (China, Japan, Korea) in the global gaming market in 2016 equalled around 45%, i.e., USD 45 billion. Countries of this region are characterised by an extremely strong internal market – the total population amounts to 2.2 billion, of which 1.2 billion are Internet users. For comparison – the value of the Polish video game market in 2016 was PLN 1.85 billion (23<sup>rd</sup> place in the world and 7<sup>th</sup> in Europe). Its value is supposed to grow (KPT, 2017).



Polish Ministry of Culture and National Heritage (MKiDN, 2019) basing on the results of the research of the Institute for Structural Research “The economic significance of the cultural sector in Poland in 2008–2015” (Baran, Lewandowski, 2007), proposed the creation of three instruments improving the competitiveness of Polish creative industries against the foreign markets: incentives for the audiovisual sector in the form of reimbursement of part of the costs incurred for the production of films, TV series and animations in Poland, loans on preferential terms for entrepreneurs from creative industries, and tax reliefs for the video game industry for the production of the so-called cultural video games. Also, individual instruments, e.g., the tax relief for producers of cultural video games, were designed on the basis of the report “The state of the Polish video game industry 2017” and the paper “Tax relief for cultural video games. Assessment of the legitimacy of public intervention” by PwC commissioned by the Polish Games Association with the support of the Ministry of Culture and National Heritage.

The draft of Act of 10th October 2018 on financial support for the production of cultural video games and on the amendment of other Acts sets out the rules, conditions and the procedure for granting and settling financial support for the production of cultural video games in the form of income tax relief (Art. 1)<sup>1</sup>. The proposed support is addressed to video game producers in the form of a tax relief. The relief is supposed to enable the entrepreneur to deduct eligible costs related to the production of a cultural game from the income tax base (i.e., 19% in the case of corporate income tax).

According to the legislator’s definition, a cultural video game is a video game that uses Polish or European cultural heritage and has a culture-forming or innovative character, confirmed by a provisional and final certificate in the qualification test (Art. 2, point 2). Eligible costs (including, e.g., costs of staff involved in game production, subcontracting, costs of renting space, equipment and apparatus necessary for the production of a cultural video game, purchase of materials directly related to the production of a cultural video game, services of using equipment and specialised apparatus, in part in which they are used for the purposes of producing a cultural video game) are to be not less than PLN 100,000, and the amount of public aid granted for the production of a given game from all sources cannot exceed 50% of the total production costs. The right to benefit from the relief is to be granted for three years. The game must be intended for public sale, may not be of advertising or promotional nature, and may not contain pornographic content.

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<sup>1</sup> Draft Act on the principles of supporting the production of cultural video games and on the amendment of some other acts, Public Information Bulletin, MKiDN. Retrieved from: <https://bip.kprm.gov.pl/kpr/form/r54619738>, Projekt-ustawy-o-zasadach-wspierania-produkcji-kulturowych-gier-wideo-oraz-o-zmi.html (access: 3.05.2019).



Pursuant to the draft Act (Art. 1, point 4), the purpose of financial support for the production of cultural video games is of economic character (impact of this subsector on the economy) and of care for the image character (promotion of Poland as a modern country), including in particular:

- development of culture and promotion of the image of Poland and Polish and European cultural heritage in the world,
- improvement of the operating conditions for the video game production industry,
- creation of the conditions for foreign capital investments in the production of cultural video games conducted in Poland,
- creation of the conditions for cooperation in Poland between Polish and foreign video game producers,
- increase of the activity of Polish entrepreneurs operating on the video game production market,
- increase of the international competitiveness of entrepreneurs operating on the video game production market in Poland,
- increase of the utilisation level of the technical potential of video game production in Poland,
- support of the sustainable economic development of the state and its regions by creating conditions for the development of creative sectors,
- improvement of the conditions for the development of creative potential and raising the level of professionalism of representatives of the video game production market in Poland.

Tax relief for the production of cultural video games has not entered into force yet. The bill was published in October 2018 with the intention to start in January 2019. However, the Ministry of Finance at the beginning of 2019 questioned the proposed shape of the bill, noticing, *inter alia*, the problem of a very narrow definition of the group of beneficiaries of the proposed relief. “The selection of the proposed solution raises the question about its economy and the advantages it would provide in comparison with the much simpler form of direct support” (PAP, 2019). There are speculations that the relief will be used mainly by large entities with higher risk capability in case of a relief withdrawal. The relief can also be deducted only after certain stages of project work have been completed. “This retrospective benefit does not always bring direct liquidity benefit expected by the SME sector” (HCSAC, 2011, p. 13).

Another interpretation is that introducing tax preferences for private investors and entrepreneurs is recommended if profitability is taken as a criterion for the effectiveness of government’s assistance. From an economic perspective, it is more likely that leaving the initiative in the hands of creative entrepreneurs rather than officials will bring more favourable commercial results. If the goal of cultural policy is to build a sustainable sector in selected creative industries, e.g., movies, architecture

or video games, tax reliefs can be a more effective tool than direct public grants. In the case of less commercial cultural sectors, e.g., poetry or conceptual art, economic success is not a good indicator for introducing tax reliefs (Hemels, Goto, 2017).

Public support may also create a sense of dependence, which may stand in conflict with a liberal approach in line with the idea of developing entrepreneurship independently. In turn, some tax reliefs can stimulate the development of entrepreneurship thanks to tax reductions. Such support does not have a direct money transfer form and hence it is possible to maintain a sense of independence (Hemels, Goto, 2017).

In the light of statistical data, it is difficult to disagree with the growing potential of the video game industry both in Poland and worldwide in the coming years. Hence, the decision of the MKiDN to become a part of the broad global development trend of this part of creative sector raises no doubts. However, one should consider whether the proposed solutions are of a strategic nature and what were the conditions for their introduction? MKiDN when proposing a creative sector support programme was basing on just one general report of the Institute for Structural Research, namely "The economic significance of the cultural sector in Poland in the years 2008–2015" (Baran, Lewandowski, 2017). On the other hand, when considering tax relief for video game producers –it was basing on the report of the Krakow Technology Park, namely "The state of the Polish Video Game Industry 2017". The 2017 IBS report provides important economic data, i.e., added value generated by the cultural and creative sectors in Poland (the study states that it amounted to PLN 30 billion in 2015, i.e., 1.9% of the value added in the economy) and the index of people employed in the industry (300,000 people, i.e., 1.9% of all employees). However, the decision of MKiDN to create a creative sector financing programme only on the basis of one general and one industry analysis may be assessed as not very professional. Such an approach may be perceived as window-dressing, which in a highly selective manner favours selected industries. The arbitrariness of the decision to finance video games has not been sufficiently argued. The decision to support the video game industry does not result directly from the IBS report, which lists such industries as TV, architectural offices, advertising agencies as the strongest industries in the structure of added value. In addition, when it comes to employment, the greatest number of people employed in the cultural sector characterised artistic performances, literary work and activity of cultural facilities (1/4 of total employment in culture), (Baran, Lewandowski, 2017, p. 19).

There is no rational explanation why it was decided to support the video game subsector, and not the most promising ones, as it results from the above-mentioned report, i.e., television, architectural offices, advertising agencies. There are no similar studies available, neither quantitative nor qualitative, forecasting the economic

situation of other creative subsectors, which would allow to estimate the development potential of individual subsectors and help prioritise state's involvement in a given sphere. It is also puzzling that there is no clearer juxtaposition of these abstract data with data in other countries and no other economic measures such as the value of the export and import of cultural and creative goods and services that add to the picture of the economic potential of the creative sector. This, in turn, in conjunction with the intention to improve the international competitiveness of this industry, is an important postulate – e.g., GUS in its report “Cultural and creative industries in 2014–2016” (GUS, 2018) publishes this data. In 2016, the value of export of cultural and creative goods and services amounted to PLN 19.5 billion (more by PLN 6.7 billion compared to 2014), (GUS, 2018, p. 52). Interestingly, the most promising cultural industries with the highest rates in both the export and import of cultural and creative goods and services are advertising, audio-visual arts and multimedia as well as books and the press.

Other economic data showing the value of export of creative goods in Poland allow to positively assess trends in this area – the value of export of creative goods in Poland doubled from USD 3.1 billion in 2005 to USD 6.4 billion in 2015. However, it is not video games that have the biggest share in exports (assuming that they may be a part of the report's audiovisual goods category), but the designer products (USD 4.2 billion, of which USD 2.9 billion are designer interior products). They are followed by product categories such as toys, fashion accessories, publishing houses (USD 872 million) and audiovisual products (USD 491 million), (UNCTAD, 2018, p. 345).

States often support the video game industry, e.g., the United States, Canada, Great Britain, France or Finland, which makes it more difficult to remain competitive for game developers in countries that do not provide similar assistance (KPT, 2017). The introduction of a tax relief in the United Kingdom was a direct response to the subsidising of the industry in other countries, primarily in Canada. From this perspective, the lack of universal support solutions in this sphere in all countries raises barriers to enter the market in those countries that do not offer solutions that stimulate its development. Fiscal facilitations for the video game industry, which become a tool to compete internationally, do not guarantee success and market development, nor do they eliminate the risk associated with entering the market (HCSAC, 2011).

Support may be granted to producers who, in the qualification test, i.e., in the so-called culture test will get a minimum of 50% of the points. A condition for a successful passing the test will be the fulfilment of the conditions included in the definition of a cultural game (the use of Polish or European cultural heritage, the culture-creating and innovative nature of games, the production of the game on Polish

territory, the participation of Polish/European specialists in the production of the game, etc.). The test is to be based on British (Video Games Tax Relief) and French (Crédit d'Impôt Jeu Vidéo) solutions. In the proposal of financial support for cultural video game producers, the doubts are raised by the interpretation of the cultural criteria. Apart from the objective difficulty in evaluating these hard-to-measure criteria, the possible way of interpreting supported games is also of concern. What cultural message important from the perspective of Central and Eastern European countries, including Poland, will be preferred by the Ministry of Culture and National Heritage? There are different scenarios in this respect: from the example of Russia as a country supporting games that promote political message in the right light (Długosz, 2010) to Iran as an example of the extreme state interference in the local video game industry, where the National Foundation for Iranian Video Games strictly censors every game in terms of content and message. A radical example of this is the game "The stressful life of Salman Rushdie and implementation of his verdict" explaining the reasons for the fatwa put by Ayatollah Khomeini, which obliges every Muslim to kill this blasphemer as soon as the opportunity arises (Dehghan, 2012).

For comparison, the British relief for video games producers, Video Games Tax Relief, introduced in 2014, is one of the eight tax reliefs targeted at creative sector entrepreneurs in this country (HM Revenue & Customs, 2007). In the case of the British cultural test, four sections were distinguished: cultural content, cultural input (level of British creativity, heritage or diversity), entrepreneurship and the game development team (The cultural test for video games, n.d.). An evaluation of the mechanism of this tax relief (Pettigrew et al., 2017) shows that the British cultural test is considered flexible and does not limit the creative freedom of game producers (Nesta, 2009). Britishness is understood from the perspective of experience of production teams who are British, which is to significantly shape the content, character and atmosphere of the game over strategic elements such as the location of the game. The relief in the popular opinion of producers reduces the level of risk, which turned out to be particularly important in the case of small- and micro-entrepreneurs. Relief also increased the attractiveness of the project for investors. Especially British features reflected in the games include sarcastic sense of humour, irony, British values such as tolerance and a sense of fair play. Since the introduction of the relief in 2014, 835 games have applied for certification, of which 400 have been awarded the final certificate and 375 have been granted the provisional certificate. In total, expenditure on eligible video games in the UK amounted to GBP 1.6 billion (HM Revenue & Customs, 2017, p. 16).

Attention is also drawn to the fact that it is not the amount of taxes that limits the development of the industry. More often these are bureaucracy, employee shortages and tax uncertainty (Taxes. FOR criticises the relief for game developers). In 2016,

37% of enterprises reported problems with excessive taxes. In turn, as much as 49% of entrepreneurs pointed to bureaucracy and administrative difficulties as obstacles that to a greatest extent inhibit the development of the industry. Further barriers include the lack of qualified employees on the market (40%) as well as tax complexity and ambiguity (39%), (KPT, 2017, p. 83).

The video game industry is considered a high-risk business, mainly due to the high cost of creating games, because even the lack of market success in the case of just one title may determine the closure of the studio. Another important aspect in the discussion on the consequences of the possible introduction of a tax relief for video games producers is the issue of approach to intellectual property. British studies on the competitiveness of the video games sector in this country, "Raise the game" and on the impact of public support on the video games industry in other countries showed that, e.g., in Canada tax incentives proved effective in attracting new investments to Quebec, but were not focused on creating new intellectual property by Canadian studios, where the originality of ideas is low (Gibson, Gibson, 2008).

## Conclusions

In European countries, dominates direct financing of culture through grants and subsidies at central or local level. However, indirect financing instruments are present in many countries, especially in the form of tax preferences applied in the area of charity (e.g., donations to non-governmental organisations operating in the sphere of culture) or preferential VAT rates (5% VAT on books). The idea of supporting entrepreneurs operating in the creative industries markets (movies, architecture, video games, design) through tax preferences is common in many countries. In this sphere, fiscal policy can be used to shape the expected attitudes of consumers towards culture (e.g., stimulating readership, increasing the competitiveness of a given industry), but also – and perhaps above all – to shape a pluralistic cultural sector composed not only of public entities dominating in the institutional structure, but also NGOs and the private sector. This approach allows the implementation of various goals in culture important from the perspective of different sectors and the different values they represent.

The selection of the industry subject to fiscal preferences is often made arbitrarily, as exemplified by the relief for producers of cultural video games in Poland which is based on similar solution in the Western countries. This initiative is supported by environments originating from the video game industry, which use the argument that investment is needed in this area due to, among others, optimistic forecasts for the development of this industry and possible image and economic benefits

for the Polish economy. Opponents of the solution question the too narrow base of entrepreneurs authorised to apply for the relief or the sense behind qualifying games using the so-called cultural test. The test is not an unprecedented solution in itself, but the interpretation of cultural criteria raises reservations mainly due to the possibility of filtering content for compliance with political premises.

The introduction of tax reliefs should be a derivative of a comprehensive consideration of the reasonableness of a given tax relief and possible problems related with the introduction of the tax relief (Kasprzyk, Kondraciuk, 2016). The conditions determining the introduction of tax reliefs are not absolutely indisputable. What's more, each tax and decision to reduce the burden on citizens has specific social effects of intentional and unintentional nature that should be analysed (Kasprzyk, Kondraciuk, 2016). First of all, the application of a given tax relief should be guaranteed in the long term, since this approach allows a reliable evaluation of preferential activities in a given area and stabilises taxpayers' behaviours.

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