

Taxation method of sole proprietorship business

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□ Introduction

When starting a business in Poland, an entrepreneur must choose one of the available **forms of income or revenue taxation**. This choice affects:

- the amount of taxes,
- the method of their settlement,
- the possibility of including costs, allowances, and also the way of keeping records.

□ 1. What forms of taxation for individual entrepreneurs are available and what do we pay tax on?

- **Tax scale (general rules)** - Income - 12% up to PLN 120,000, then 32%
- **Flat tax** - Income - 19% regardless of income
- **Registered lump-sum tax** - Revenue - 2%-17% depending on the industry

Income = revenue - costs of obtaining revenue

□ 2. Tax scale (general rules)

□ For whom?

- For individuals with **lower income**,
- For those who benefit from the **tax-free allowance (PLN 30,000)** and **middle-class relief**,
- For entrepreneurs who **combine business with employment**,

- For families – it is possible to settle **jointly with a spouse or as a single parent.**

□ **Rates for 2025:**

- 12% up to an income of PLN 120,000,
- 32% on the excess above PLN 120,000.

□ Possibility of applying **family, rehabilitation, internet relief, etc.**

□ **3. Flat tax (19%)**

□ **For whom?**

- For those who **achieve high income,**
- For those who **do not want to move into the second bracket of 32%,**
- For individuals who **do not use allowances and family settlements.**

□ **Missing:**

- tax-free allowance,
- joint settlement with a spouse,
- PIT reliefs (except for B+R, IP Box, thermal modernization, etc.).

□ Typically profitable **from about PLN 200,000 annual income** and higher.

□ **4. Registered lump-sum tax on revenue**

□ **For whom?**

- For individuals with **low costs of running a business,**
- For freelancers, IT services, creators, medical professionals, trade, gastronomy, rental, etc.

- Revenue **must not exceed 2 million euros per year** (limit for lump-sum taxation).

□ **Sample lump-sum rates for 2025:**

Software services, IT, B2B - 12%

Rental of apartments (individuals) - 8.5% up to 100,000, then 12%

Educational, training services - 8.5% or 15%

Sale of goods (trade) - 3%

Free professions (doctors, lawyers) - 17%

Costs cannot be settled, but health insurance can be deducted from the lump sum (partially).

□ **5. Health insurance contribution and form of taxation**

Since 2022, the amount of the health insurance contribution **depends on the chosen form of taxation:**

- Tax scale | 9% of income - □ Cannot be deducted
- Flat - 4.9% of income - □ Yes (up to the limit)
- Lump-sum - Fixed thresholds depending on annual revenue - □ Yes (partially)

□ Under the tax scale and flat tax, there is a minimum amount for the contribution; if your earnings make the percentage contribution lower than the minimum amount, you pay the minimum amount.

□ **6. When and how to choose or change the form of taxation?**

- When setting up an individual entrepreneur - choice in CEIDG (online or at the office),
- Changing the form of taxation:
→ by the **20th day of the month following the month of obtaining the**

first revenue of the year (usually by February 20 of that year).

- Changes are made **through CEIDG or in writing to the tax office** (in the form of a declaration).
- **If you do not decide on the form of taxation within 7 days from the start date of business activities, the tax scale will be automatically chosen.**

⇒ **Summary - what is beneficial?**

- You have low income, use allowances and settlements with your spouse - Tax scale
- You have high income and low costs - Flat tax
- You provide services and have no costs, work independently - Lump-sum

□ **Legal basis**

- **PIT Act**
- **Act on Lump-Sum Income Tax**
- **Act on the Social Insurance System**
- Regulations of the Ministry of Finance and Social Insurance Institution (current rates and forms)