

What costs can you include in expenses in a sole proprietorship?

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□ Introduction

One of the biggest advantages of running a sole proprietorship under general rules or a flat tax is the ability to **deduct business expenses as costs of acquiring income**. This means that some expenses reduce your income and, consequently, also your PIT tax and health insurance contribution (for those on a flat tax).

But beware: not every expense can be accounted for this way. Check **what the rules are and the list of example costs**.

□ 1. What is a cost of acquiring income?

According to Article 22 of the PIT Act:

A cost of acquiring income is an expense incurred to obtain revenue, maintain or secure its source, **except for expenses explicitly excluded by law**.

In other words:

- the expense must have **a connection to your business**
- it must be **actually incurred (paid)**
- it must be **appropriately documented (invoice, receipt, named voucher)**

□ 2. Example costs that can be deducted

□ **Typical and safe costs for sole proprietorships:**

- Materials and goods - raw materials, semi-finished products, packaging, products for resale
- Outsourced services - accounting, subcontractors, IT specialists, equipment service
- Equipment and outfitting - computer, phone, printer, tools
- Software - licenses, subscriptions, cloud, Canva, Adobe, MS 365
- Internet and phone - subscriptions, packages, bills
- Office and premises - rent, utilities, lease, cleaning
- Transport - tickets, fuel, parking, tolls, company car
- Training and development - courses, e-books, webinars, conferences
- Marketing - Google/Facebook ads, graphics, promotional materials
- Website - hosting, domain, SSL certificates, website development
- Insurance - business liability insurance, insurance for company equipment
- Commissions - e.g., from payment operators, Allegro, Stripe, PayPal

□ 3. Working from home - partial deductions

If you run your business from home, you can deduct part of:

- rent and utilities (proportional to the area),
- internet and phone,
- furniture, equipment, and outfitting.

□ Example: 20% of the apartment is an office - you can include 20% of the bill for electricity, water, rent, etc.

□ 4. Company car - how to account for it?

- Exclusively business - □ 100% of costs + 100% VAT - Mileage log required, VAT-26 form submitted
- Mixed (business-private) - □ 75% of costs + 50% VAT - Ordinary documentation is sufficient

□ 5. What cannot be included in costs?

□ The PIT Act excludes among others:

- fines and contractual penalties,
- expenses for private life (e.g., personal grocery purchases),
- loan installments (only interest can be counted as a cost),
- residences and apartments (unless they serve business purposes and are separate),
- undocumented purchases (e.g., no invoice).

□ 6. How to document costs?

- **VAT invoices or receipts with a NIP number** – the most reliable documents,
- **Named receipts** (with your NIP) can be accounted for,
- Proofs of payment (transfer confirmation, bank statement),
- **Contracts, emails, reports**, if required to explain the relationship with the business.

□ In case of an audit, you must prove that the expense was business-related.

□ 7. Costs and forms of taxation

- **Tax scale** - □ Yes, you can deduct costs
- **Flat tax** - □ Yes, you can deduct costs
- **Fixed-rate taxation** - □ No – you account for revenue, not income

□ In fixed-rate taxation, business expenses do not affect the amount of income tax – but are important for VAT, for example, and profitability.

Legal basis

- **PIT Act**, Articles 22 and 23
- **Regulations by the Ministry of Finance and individual interpretations**
- **Judgments by the Supreme Administrative Court** (including those regarding mixed costs and working from home)

Summary

Laptop for work - Yes - Must be related to business

Dinner with family - No - No connection to business

Online course for a programmer - Yes - If related to the business profile

Fine for bad parking - No - Clearly excluded by regulations

Fee for Facebook advertising - Yes - Must be documented (invoice)