

Taxation of services provided by sole proprietorships to their own company (related entity) - legal status as of December 2025 and planned changes

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Transactions between a sole proprietorship (JDG) and a company (e.g., a limited liability company), in which the owner of the JDG is a partner, have aroused interest for years due to capital or personal ties. Such relationships qualify as transactions with related parties, affecting obligations concerning transfer pricing, VAT, and income tax. Below we present the current legal state and information on planned changes regarding the taxation of recorded lump-sum income.

Current legal state (applicable as of December 30, 2025)

- **Form of taxation in JDG** Revenues from services provided to its own company are taxed according to the chosen form:
 - Recorded lump-sum: rates depend on the type of services (e.g., 8.5%, 10%, 12%, 15% – most commonly 8.5% or 12% for consulting, management services, etc.).
 - Flat tax (19%) or tax scale (12%/32%). There is no uniform, increased rate solely due to the relationship.
- **On the company's side** Expenditures on services from the partner's JDG generally constitute a deductible cost (if economically justified). In the case of the Estonian CIT, payments may be treated as hidden profit (taxed at a 20% or 10% lump-sum CIT), but the catalog is open and depends on circumstances.
- **VAT** Services are subject to standard VAT taxation (usually 23%).
- **Transfer pricing** Documentation obligation (local file) arises if the value of service transactions exceeds PLN 2 million net annually.

These rules also apply from January 1, 2026, as the planned amendment did not come into effect.

Planned changes (draft from 2025)

In 2025, the Ministry of Finance proposed an amendment to the lump-sum income tax act, which assumed:

- The introduction of a **uniform rate of 17% lump-sum** for revenues from services provided to related parties (including one's own company), regardless of the previous classification of services.
- Objective: to limit tax optimization through the use of low lump-sum rates in related relationships.

The change was to come into effect on **January 1, 2026** and would apply only to taxpayers on lump-sum taxation (it would not affect the flat tax or scale).

Current status of the project (December 2025)

As of December 30, 2025, the amendment **has not been passed and has not come into effect.**

- The project (including UD116 and related ones) did not complete the full legislative process in time to be in force from January 1, 2026.
- No law introducing the 17% rate for related services was published in the Journal of Laws.
- Some sources indicate that the change has been withdrawn or significantly delayed – as of January 1, 2026, the existing lump-sum rates still apply.

It cannot be excluded that the topic will return in 2026 or later – it is worth monitoring announcements from the Ministry of Finance.

Recommendations for clients of the accounting office

1. **On lump-sum** – continue to take advantage of lower rates for services provided to your own company (as long as they meet PKWiU conditions). There is no obligation to switch to another form of taxation due to this change.
2. **Structure analysis** – Consider whether the JDG + company model is still optimal (e.g., due to transfer pricing, Estonian CIT, or health insurance contribution).
3. **Documentation** – Remember to justify the business rationale for services and any documentation on transfer pricing.
4. **Monitoring** – Keep track of tax news in 2026 – the project may be resumed.

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