

Change of the form of business activity taxation - important dates

• FEBRUARY 9, 2023 •

Natural persons earning income from business activity - as sole proprietors, as well as partners in some partnerships – should consider the effectiveness of the current form of taxation in the context of its change for 2023.

Exceptionally, for some entrepreneurs, it will also be possible to change the form of taxation for 2022.

1. Change of form of taxation for 2023

Taxpayers may:

- choose a 19% flat tax or lump-sum tax on registered revenues, or
- resign from flat or lump-sum taxation and choose to settle the tax on general terms (according to the tax scale of 12/32%).

The choice of the form of taxation reflects into the rules for determining the amount of healthcare contributions.

The deadline for submitting a statement on the choice or change of the form of taxation of income from business activity for entrepreneurs who earned revenue in January 2023 is **20th of February 2023**. Once submitted, the statement is valid in the following years, unless it will be changed by the taxpayer.

If in January 2023 the taxpayer did not obtain income from business activity, he will have a longer time to decide on the form of taxation. The declaration on the choice of the form of taxation should be submitted by the 20th day of the month following the month in which the first income from business activity in the tax year was obtained, or by the end of the tax year if the first income was obtained in December of the tax year.

The choice of the form of taxation can also be submitted via the **CEIDG-1 form**.

2. Restrictions on the choice of a given form of taxation

- a) The choice of the 19% flat tax for 2023 **cannot** be made by entrepreneurs who:
 - obtains income as part of the business activity conducted as sole proprietorship (or as a partner) from the provision of services to the current or former employer, corresponding to the activities performed by him (or another partner) in 2023 for this employer under the employment relationship.

- b) The choice of a lump sum on registered revenues for 2023 **cannot** be made by entrepreneurs / partners of general or civil company who:
- obtain income as part of the business activity conducted as sole proprietorship (or as a partner) from the sale of goods or products or from the provision of services for the current or former employer, corresponding to the activities performed by him (or another partner) in 2022 or in 2023 for this employer under the employment relationship;
 - in 2022 obtained income from business activity conducted as sole proprietorship exceeding EUR 2 million (in PLN, the limit is PLN 9,654,000) or obtained income only from business activity conducted in the form of a company, and the total income of the partners of that company from business activity exceeded EUR 2 million;
 - obtain revenues from running pharmacies, trading in foreign exchange, trading in parts and accessories for motor vehicles or manufacturing products subject to excise duty (except for generating electricity from RES);
 - undertake business activity in the tax year after changing the activity performed:
 - i. independently for business conducted in the form of a partnership with a spouse,
 - ii. in the form of a partnership with a spouse for activities conducted independently by one or each of the spouses,
 - iii. independently by a spouse for an activity conducted independently by the other spouse
 - if the spouse or spouses, before the change, paid income tax on account of conducting that activity on general terms.

3. Possibility to choose tax scale for 2022

Entrepreneurs who settled their income/revenue with a flat rate tax or a lump sum tax in 2022 - **exceptionally** - will be able to change the current form of taxation to a tax scale for the entire 2022.

They can do it in the annual tax return (PIT-36). The deadline for submitting a tax return for 2022 is **2nd of May 2023**.

Note: when changing the form of taxation for the entire 2022, it should be also remembered about the obligation to pay **healthcare contributions** in accordance with the rules set out for the tax scale (9% of income).

If you are interested in the above information and its impact on your business, please contact:

Anna Misiak

Anna.Misiak@mddp.pl

+48 500 046 024

[Linkedin](#)

Rafał Sidorowicz

Rafal.Sidorowicz@mddp.pl

+48 506 788 582

[Linkedin](#)

or your advisor at MDDP.

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