

Change of Form of Taxation for Business Activity – Important Deadlines

● 25 January 2024 ●

Individuals conducting a sole proprietorship and partners in selected partnerships have the option to change the form of income taxation for 2024 by submitting the appropriate declaration.

Forms of taxation for incomes generated by entrepreneurs or partners in selected partnerships

Taxpayers who are entrepreneurs conducting a sole proprietorship or partners in selected partnerships may choose the following forms of taxation for the incomes they generate:

1.	flat tax	rate 19%
2.	lump sum on recorded revenues	rates from 2% to 17%
3.	progressive tax scale	Rates 12% and 32%

Deadlines for changing the form of taxation for 2024:

1.	for taxpayers who earned their first income in January 2024	until 20 February 2024
2.	for taxpayers who did not earn their first income in January 2024 but later	by the end 20th day of the month following the month in which the first income from business activity was earned in the tax year
3.	for taxpayers who earned their first income in December 2024	by the end of 2024

The choice of the taxation can be realized either in the form of a written statement to the relevant Head of the Tax Office or through the CEIDG-1 form.

Importantly, once the statement is submitted, it applies to subsequent years unless, in the following year and within the specified deadline, the taxpayer decides to change the form of taxation again.

Limitations on the possibility of choosing a specific taxation form in 2024:

1. **The right to 19% flat tax does not apply to an entrepreneur or a partner in a civil partnership, general partnership, or professional partnership who:**
 - earns income from providing services to a former or current employer that correspond to activities performed by them (or another partner) for that employer under an employment relationship in 2024.

2. **The right to apply the lump sum on recorded revenues does not apply to an entrepreneur or a partner in a civil partnership or general partnership who:**
 - earns income from the sale of commercial goods or products or from providing services to a former or current employer, corresponding to activities performed by them (or another partner) for that employer under an employment relationship in 2023 and 2024;
 - in 2023, earned income from independently conducted activities exceeding 2 million EUR (in PLN, this limit is 9,218,200 PLN) or earned income exclusively from activities conducted in the form of a partnership, and the total income of the partners in the partnership from that activity exceeded 2 million EUR;
 - generates income from running pharmacies, trading in foreign currencies, activities in the trade of parts and accessories for motor vehicles, or manufacturing products subject to excise duty (except for the production of electric energy from renewable energy sources);
 - engages in carrying out activities in the tax year after changing the type of activity performed:
 - independently to the activity conducted in the form of a partnership with a spouse,
 - in the form of a partnership with a spouse to independently conducted activity by one or both spouses,
 - independently by a spouse to activity independently conducted by the other spouse,
 - if the spouse or spouses paid income tax for conducting this activity on general principles before the change .

How can we assist you?

It is important to note that any change in the form of taxation will impact not only the method of determining the amount of health insurance contributions but also the eligibility for certain tax relief (e.g., child tax credits) and tax preferences (e.g., joint tax filing for spouses).

The choice of the taxation form will also have meaning for taxpayers earning income above 1 million PLN, as it may imply an obligation to pay a solidarity levy.

We offer support in the following areas:

- ✓ evaluating the efficiency of your current taxation form,
- ✓ selecting the most suitable taxation form, taking into account the specific nature of your business and the potential tax and contribution burdens (National Health Fund and Social Insurance Institution).

If you are interested in the above information and its impact on your business, please do not hesitate to contact us at:

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