

A flat-rate income tax on revenue recorded as an effective form of taxation on the economic activities of individuals

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Abstract

The article presents an analysis of the form of income taxation in Poland which is a lump sum recorded in terms of its conduct, as well as the construction of this variant of settlement with the tax office. The types of taxation on the basis of personal income tax have been mentioned, which begins the criteria and restrictions that the income tax payer must meet in order to be able to settle with the chosen form. The example company, its analysis and example of settlement by means of a recorded lump sum of this particular enterprise was given.

Keywords: *Income Tax; Types of Taxation; Criteria and Restrictions of Income Tax.*

1. Introduction

Tax occupies a special position in accounting, which is why the subject of this work is the analysis of forms of taxation of natural persons conducting business activities.

The registration of a business by a natural person and its ongoing conduct requires entrepreneurs to make choices that, based on previous analysis, lead to the choice of income taxation.

2. Literature review

The base that was used to write the first two chapters is literature on income tax, forms of tax settlement, as well as legal acts that contain tax issues, internet sources in the form of developed articles. Chapter three was written based on financial data and information provided by the RG transport company. The end of the article is to summarize the conclusions and analyze the developed topic.

Given the applicable data protection law, data animation was used, as well as the change of individual names.

2.1. Tax concept, characteristics and types in Poland

The tax is monetary, compulsory, universal, free and non-returnable, general-purpose consideration, imposed unilaterally by a public law entity. Public-law entities referred to in the concept are primarily local government units and the state. The unpaid nature of the tax is determined by the lack of benefits on the part of a public entity to the taxpayer. Non-refundable tax means that the tax amounts collected are not directly refundable to the taxpayer. However, one can speak of indirect tax refunds as investments from public expenditure. Taxes create public income, which pursues the social goals of taxpayers and their families - an example of such an example could be the construction by the municipality of taxes of residents of public facilities, such as roads. Forced taxation means their imposition by relevant legal provisions, as well as the possibility of their enforcement by the authorities authorized to do so. The monetary nature of taxes indicates that they are expressed in monetary units. The Constitution of the Republic of Poland serves as the legal basis for taxation in Poland (article 217). Polish tax law together with tax proceedings are regulated by an act called the Tax Code. In addition, specific provisions introduce each tax law. We can divide them into:

- Direct taxes are taxes that directly charge the taxpayer (legal person or natural person). Income or value of accumulated assets are subject to direct taxation
- Indirect taxes are consumption taxes included in the price of purchased goods and services. This means that the taxable (e.g. seller) only formally appears as a taxpayer, because the entire tax liability is transferred to the buyer who is burdened with it independently of his property and income situation
- property taxes - the amount of these taxes depends on:
 - increase in assets (gift and inheritance tax)
 - owned assets (real estate tax)
 - Changes in property rights related to the sale, purchase or change of property rights (tax on civil law transactions).

- Income taxes - the basis for taxing these taxes is the income obtained by taxpayers, which is the difference between revenues and the costs of obtaining those revenues.
- Central taxes - these are taxes that constitute the income of the state budget.
- local taxes - these are taxes that create income for the state budget
- Common taxes - they are taxes that partly contribute to the treasury and partly local governments.
- Income taxes - the basis for taxing these taxes is income obtained by the taxpayer, without deducting costs (e.g. flat-rate income tax on recorded revenues).
- Consumption taxes - also called expenditure taxes. These are price-forming taxes because they are included in the sale price of goods and services (VAT - on goods and services, excise duty - excise tax)

2.2. Forms of taxation with personal income tax

Forms of taxation with personal income tax. Each of the natural persons who start running a business has a top-down obligation to choose the form of taxation, i.e. the type of income tax settlement with the tax office. Forms of income tax settlement can be accounted for by:

- 1) Flat-rate form
 - tax card
 - a lump sum on recorded revenues
- 2) General principles when applying the tax scale (18%, 32%)
- 3) Uniform 19% tax rate (flat tax).

Flat-rate form

The Tax Card is the simplest form of business taxation in the Polish tax system. It is recommended for beginners, i.e. those starting their own business for the first time. In this form of taxation, the amount of tax does not depend on the actual income, but it is determined by way of a decision by the tax office. Entrepreneurs using this form of taxation are not required to keep accounts. The tax paid is often not high, and - its amount is not dependent on the amount of income. A person choosing this form of taxation is called a card player. Income tax paid by the cardholder is a fixed monthly flat rate, regardless of the amount of income or the lack thereof. The tax card is beneficial for enterprises that employ a small number of employees. The head of the tax office sets the monthly tax. The decisive factors are: the type and scope of business activity, the number of employees and the number of inhabitants of the town in which the business activity is conducted. The fact that the amount of tax payable does not depend on income can be beneficial for high-income enterprises. However, in the case of financial problems, if there is a loss in the company, the tax must be paid anyway. Who can use tax card taxation? Pursuant to Annex No. 3 to the Act on the flat-rate income tax, income tax payers have the option of paying income tax in the form of a tax card on certain revenues generated by individuals.

A lump sum on recorded revenues

One of the simplified forms of income taxation is a lump sum on recorded revenues. If entrepreneur choose this option of taxation, the taxable basis is the income that the entrepreneur generated, without taking into account costs. In order to calculate the amount of tax, he should keep a record of revenues, which should include every sale related to running a business. However, the question arises as to which entrepreneurs can use this option of taxation? The lump sum form is dedicated only to a separate group of taxpayers - they are natural persons conducting business activity independently, in the form of a registered partnership or civil law partnership. Income tax rates with a lump sum on recorded revenues. The flat tax rate depends on the type of business activity. The current rates are:

- 20% - on the revenues generated from liberal professions such as:
 - doctor, veterinarian, dentist, dental technician,
 - translator,
 - teacher in the scope of providing educational services which consist in giving lessons for hours,
 - nurse, midwife,
- 17% - on revenues from the provision of services such as:
 - parking,
 - hospitality,
 - brokering the sale of motor vehicles, as well as parts and accessories for them,
 - photographic,
 - in the field of software,
 - organizing exhibitions, fairs,
 - car rental and lease,
 - brokerage in wholesale,
- 10% - on revenues from the sale of property rights or real estate constituting the company's assets,
- 8.5% - on revenues from:
 - the title of the sublease, lease, tenancy agreement or other similar agreements,
 - services in the form of services, including catering activities in the field of selling beverages containing more than 1.5% alcohol,
 - providing services related to the activities of zoological and botanical gardens, as well as areas and facilities for nature protection,
 - provision of pre-school education services,
- 5.5% - on revenues obtained, among others on manufacturing activities and construction works,
- 3% - on revenues from:
 - from service activities in the field of trade,
 - from catering activities, excluding revenues from the sale of beverages containing more than 1.5 percent. alcohol,
 - from providing animal production services
 - from the sale of movable assets that are used in non-agricultural business activities,
- 2% - on revenues from the sale of animal and plant products processed in a way other than industrial from their own cultivation, rearing or breeding.

General principles

General principles when applying the tax scale (18%, 32%). Taxation on general terms is a form of taxation which consists in taxing business income according to a tax scale. Income is the difference between revenues and costs:

Revenue from - acquisition costs = income

Revenue activities

Uniform 19% tax rate (flat tax)

Flat tax is a form of taxation whose essence is the fact that income has a fixed tax rate of 19%. In this form of taxation, as in the case of general principles, income is the difference between tax revenues and costs. If a taxpayer starts a business, he chooses the form of taxation on the application of CEIDG-1 (box No. 18). If the business is conducted in the form of a company, all partners must submit declarations. If the entity already conducts business activity and intends to change the form of taxation starting from the new tax year, it is obliged to submit a written declaration regarding the choice of this form of taxation to the tax office (until January 20 of the tax year). However, if a taxpayer used flat taxation of income in the previous year, and intends to use this form in the next year, he does not have to inform the tax office about this fact.

3. Results

3.1. Case study of taxation with flat-rate income tax on recorded revenues

Mr. Ryszard Grzegorzewski has been running the service company "RG transport" since December 1, 2015 as a response to a sudden increase in market demand in the field of transport, delivery of materials, goods and rental of delivery vehicles as well as assistance in unloading or loading goods. This activity provides services in the field of road transport. This company uses a lump sum recorded as a form of taxation and income tax settlement. Thanks to a loyal and stable base of contractors, as well as a constant search for new cooperation opportunities, the company achieved the total sum of all revenues in December from December 1, 2019 to December 29, 2019 amounted to PLN 9,000. From December 30, 2019 to December 31, 2019, Mr. Ryszard made additional entries to the revenue register:

- invoice number 23/12 of 30 December 2019 for the transport of grout - PLN 900
- invoice number 24/12 of 30 December 2019 for transporting bricks - PLN 650
- invoice number 25/12 of 31 December 2019 for the transport of sand - PLN 730
- invoice number 26/12 of 31 December 2019 for the transport of concrete - PLN 800

Revenue PLN 11,080

- Social security contributions paid PLN 700

= Tax base (income after deductions) PLN 10 380

Calculation of the lump sum on recorded revenues $8.5\% \times 10\,380 \text{ PLN} = 882.30$

- Health insurance premium paid up to 7.75% PLN 210

= Lump sum amount PLN 672.30 = PLN 672 (rounded)

* If we pay contributions at a later date, for December to 10th or 15th January, these contributions must be deducted from the revenues generated for the month January.

To properly calculate the lump sum due to be paid from the previously accumulated revenues for a given month, the amount of social security contributions paid must be subtracted. As a result, we will receive the basis on which the lump sum on recorded revenues will be calculated, i.e. revenues after deductions. The income tax rate for the selected type of business is 8.5%. Multiply the tax base by the income tax rate. The amount received should be adjusted by the health insurance premium paid - 7.75%. After this calculation, we receive the lump sum due to be paid. Remember the rounding principle when calculating your PIT – tax declaration. These roundings are included in art. 63 of the Tax Code. They impose rounding the amount of the tax base, as well as the amount of taxes (excluding fees referred to in the provisions on taxes and local fees) to full PLN in such a way that the ends of amounts of less than 0,50 PLN are ignored, while the ends of amounts of 50 or more pennies should be raised to full PLN.

The above rules also apply to income tax advances, because tax is also understood as an advance on taxes, in accordance with art. 3 point 3 lit. a) of the Tax Code

To include calculating the amount due, you must pay the aggregate fee for earlier payment for a given month, you must subtract the social security contributions paid. As a result of the received range, from which the lump sum from obtaining the recorded, i.e. income after deductions, will be calculated. To include the economic income tax rate, it is 8.5%. The tax rate on the income tax rate should be reduced. The amount received should be corrected for the health insurance premium paid - 7.75%. After completing this calculation, we receive the lump sum due for payment. Remember to round it completely when calculating your PIT – tax declaration. These roundings are included in art. 63 of the Tax Code. They impose one rounded scope of taxation rules, and also include the scope of the sum (including fees referred to in the provisions on local taxes and fees) to full PLN in such a way that the total sum of less than 0,50 PLN or more should be increased to full PLN.

3.2. Preparation of the PIT-28 settlement declaration

It is necessary to complete the PIT-28 declaration if in the tax year the entrepreneur obtained taxable income in the form of a flat-rate tax on recorded income due to:

- A non-agricultural business activity or:
- Lease, tenancy, sublease, sublease, or other similar contracts settled outside of business operations (private rentals).

Persons conducting business activity who have chosen the form of a flat-rate tax on registered revenues - are required to submit PIT-28 for 2019 by March 2, 2020 (Monday). The deadline for submitting the declaration also applies if the entrepreneur changes the activity conducted so far and taxed by another method, as well as if the start of conducting non-agricultural economic activity takes place during the tax year. The PIT-28 declaration cannot be submitted together with the spouse. There is no possibility of joint taxation in the form of a lump sum on recorded revenues. Spouses who account for income from joint ownership, possession or use of property are required to submit two independent PIT-28 declarations. Lump sum taxation excludes the option of billing with a spouse or a child. It is a situation when some of the revenues are taxed at a lump sum, and some in the form of general principles. Also then, these revenues taxed under the

general rules cannot be settled with the spouse and the child. The lump sum disables this preference. The exception is the settlement of income from:

- hire
- lease or
- a flat rate lease

This type of flat taxed income does not exclude the right to jointly settle other revenues (taxed on general terms, e.g. income from an employment contract). PIT-28 must be submitted to the competent tax office taking into account the taxpayer's place of residence.

4. Conclusions

The purpose of the article was to present variants of income tax in the Polish tax system, and then to distinguish one form, its characteristics, legal regulations and an example of application on a specific enterprise.

The analysis shows that income tax payers are required to document and store accounting documents and submit tax returns. The occurrence of a tax obligation obligates to include it in the register of registered revenues and tax declaration.

Based on the calculations carried out, it can be concluded that the choice of a lump sum from recorded revenues for taxpayers conducting business activities as in the example above is favorable, due to the low rate of income taxation, which gives more freedom in disposing of the money earned. However, this is not the only advantage of this type of accounting. One of the most beneficial aspects is also the ease of calculation and preparation of the PIT-28 declaration. The flat-rate payers submit PIT-28 for 2019 to March 2, 2020 (Monday). It is worth noting that from 2019, electronically (online) settlements have a shorter tax refund period - 45 days - which is also a significant benefit of this form of settlement.

For flat-rate owners, there is the possibility of quarterly billing. However, this option is only available to taxpayers whose revenues received from self-employed activities or the company's revenues - in the year preceding the tax year - did not exceed the amount equivalent to EUR 25,000. This fact has an impact on the liquidity of finances of entrepreneurs with lower revenues - it increases the freedom of expenditure planning, the amount saved can be used for current business expenses.

The Income Tax Act is constantly improved and modified to ensure tightness of the tax system and to avoid circumvention of rights under the Tax Code.

Income tax is one of the key taxes for Poland, as it is one of the most profitable sources of the Polish state.

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