

## Cash PIT from January 2025

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Starting January 1, 2025, certain entrepreneurs conducting sole proprietorships will be able to opt for cash PIT method.

### What is cash PIT method?

Currently, entrepreneurs recognize revenue on an accrual basis, regardless of when payments are settled. This means that the obligation to pay PIT may arise even before receiving payment for a service provided or goods sold.

Switching to the so-called cash PIT method will allow an entrepreneur to recognize revenue not at the moment the invoice is issued but at the time of payment receipt. Similarly, the payment for a purchase invoice will be necessary to recognize tax-deductible costs.

The cash PIT method will not apply to revenue from the sale of fixed assets and intangible assets recorded in the ledger, nor to depreciation deductions made on fixed assets and intangible assets.

### Cash PIT method – Who is eligible?

Cash PIT method will be available to entrepreneurs conducting sole proprietorship (regardless of the chosen form of taxation) who:

- earned income from independent business activities in the previous tax year not exceeding 1M PLN,
- do not keep accounting books for their business activities,
- submit a statement to the head of the tax office regarding the choice of the cash PIT method within the statutory deadline – generally by February 20, or by the 20th day of the month following the month of commencing business activity for taxpayers who begin their business mid-tax year.

Cash PIT will also be available for individuals starting a business mid-year.

### Cash PIT method – Not for all transactions

The cash PIT method will apply exclusively to revenue that:

- results from transactions between the taxpayer and an entrepreneur as defined by the Entrepreneurs' Law (B2B), and
- is documented by invoices issued within the timeframes specified in separate regulations.

At the same time, entrepreneurs will not apply cash PIT method for the settlement of revenue and expenses resulting from:

- transactions with consumers (B2C),
- transactions with related entities,

- transactions with entities seated in countries recognized as engaging in harmful tax competition.

In these cases, entrepreneurs will be required to settle the revenues and tax expenses according to the general rules.

### Choice of cash PIT method for subsequent years

Once chosen, the cash PIT method must be used throughout the entire year. This method carries over to subsequent years unless the entrepreneur submits a declaration of withdrawal from this method by February 20 of the following tax year or loses the right to apply it (e.g., due to exceeding the revenue limit for the previous tax year).

If you would like more information on how these tax changes may impact your business, please feel free to contact us.

### Legal Basis:

Act of September 27, 2024, amending the Personal Income Tax Act and certain other acts.

In case you are interested in the above information and its impact on your business, please

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or your adviser from MDDP.

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