

TAX MANAGEMENT IN AN ENTERPRISE - BURDENS GROUPS

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Abstract: the essence of this article is to discuss the tax and tax system of the state and its impact on economic activity. The division of taxes, their elements and principles of operation will also be presented.

Keywords: business activity, capital, competition, enterprise.

Introduction

The main goal of companies operating on the market today is to form the needs of customers, to recognise them, to satisfy them and to strive for satisfaction. The marketing concept assumes that only then the company is able to survive in the market and make profits. And it is profits that are the basis for doing business. Undoubtedly, if it were not for them and the initial capital invested at the time of establishment, they would not be able to cover either tax or non-tax expenditure. Nowadays, as competition on the market grows, so do production, sales and distribution costs, which a successful company must include in its expenses. This is supplemented by all tax payments, benefits to the Social Insurance Institution (ZUS), salaries for employees and all expenses for the personnel cost. Exactly these unpleasant burdens for the entrepreneur we will try to approach in our work.

1. Tax burden system

Tax issues appear very often in the media and publications related to finance. Some praise this invention others unequivocally condemn it. Whoever is right, the fact remains that taxes will remain part of the business environment for a long time. Therefore, instead of being offended at them, it is better to get to know them.

In order to individually determine the tax obligation and possible threats and opportunities resulting from particular burdens, it is necessary to systematise them, determine the mechanism of action, and then learn about the content of legal regulations relating to them. It should be noted that any classification of burdens is, to some extent, ambiguous and should therefore be considered only as a means of putting the burden system in order and knowing it. Taking into account nature and fiscal significance in the Polish system of obligatory financial burdens, four groups of burdens can be distinguished:

- taxes,
- contributions,
- fees,
- para taxes.

The tax is a public legal, gratuitous, compulsory and non-returnable monetary benefit in favour of public entities and resulting from the Tax Act. Contributions are distinguished by the fact that they are equivalent - it is possible to recover them in the form of cash payments

(e.g. sickness benefit, pension) or free medical benefits. Contributions also vary in terms of scope, which depends on the insured's situation. The most common is the contribution to health insurance, with a smaller range of social security, pension, disability, accident and sickness insurance contributions. The nature of insurance is similar to contributions to the Labour Fund and Guaranteed Employee Benefits Fund. From the point of view of the entity liable to pay the contributions, the contributions are of a tax nature as the payment of the contributions is mandatory. In some cases, the rules allow for voluntary action (sickness insurance for the contractor and the entrepreneur). Fees are usually levied in connection with specific actions of state or self-government bodies, and the obligation to pay them is connected with obtaining a specific benefit (e.g. obtaining a permit, registration, filing an application)¹.

The fiscal importance of levies is not too large, but they vary. However, in many cases, there is no proportionality between the amount of the levy and the value of the benefit (e.g. the levy for an alcohol sales licence). In that case, the fee is actually a tax. In addition, the term “fee” is used for preventive or recovery burdens (e.g. product fee). Other compulsory payments are referred to as para taxes. They are characterised by considerable differentiation. Para taxes include, inter alia, compulsory payments of a specific nature related to the use of certain goods (e.g. RTV subscription, road tolls), as well as surcharges (e.g. due to the connection to the electricity network) and penalties and fines. In a broader perspective, the para taxation also includes expenditure related to the implementation of certain provisions concerning primarily employee social protection (e.g. write-offs to the company social benefit fund, financing employee medical examinations). As can be seen, the financial burden system is quite extensive. The whole system, i.e. all the tributes that have the character of a compulsory monetary benefit, is called the tax environment of the entrepreneur².

The economic effects of the implementation of these benefits and the legal consequences of their occurrence are basically identical for each of the groups described above (taxes, contributions, fees and para taxes) - they reduce the assets of the entrepreneur and their non-fulfilment is connected with forced execution. Taxes, contributions and other burdens are considered by the entrepreneur as economic parameters, elements of the company's economic environment (used e.g. in SWOT analysis). However, their impact depends on the individual situation of the taxpayer, determined by the scope of the tax environment. A correctly performed analysis of the tax environment by an entrepreneur takes into account not only individual burdens but also the functioning of the entire system of burdens (dates, payment deadlines).

There are four levels of the tax environment for management purposes:

- normative,
- organisational,
- economic,
- psychological.

The tax environment is understood at the normative level as a system of tax law or more broadly as an imposition. Autonomy, distinctiveness (sometimes even separation) of tax law from economic reality is essential from the point of view of a company's activity. This autonomy is expressed in the application of concepts specific only to taxes, concepts that often differ significantly from “non-tax” definitions of the same objects or events (e.g. definition of a lorry in VAT). The tax system often ignores economic reality and common sense, which can lead to absurd situations (again, the definition of a lorry in VAT). The specificity of the tax treatment of reality may be important for many companies. In addition to

¹ A. Kopańska, G. Kula, J. Siwińska-Gorzela, *Autonomia fiskalna i jej wpływ na działania samorządów*, PWN, Warszawa 2018, s. 57.

² www.egospodarka.pl [03.02.2020].

the reasons for applying and assessing “specific” tax constructions, they should be taken into account in tax management³. The analysis of the tax environment at the normative level also leads to the conclusion that the actions of the tax legislator result in an additional risk of conducting a business activity, as they often lead to the introduction of complicated, inconsistent, premature and contradictory tax regulations when they can be avoided with due diligence. However, it must be admitted that the tax risk is also due to the nature of legal regulations, which are characterised by the practical impossibility of precise formulation of tax obligation. The tax obligation in many situations will never be precisely defined, which in practice means difficulties with its implementation and is a potential source of dispute with the tax authorities (as well as a gateway to seeking and applying circumvention to the benefit of entrepreneurs equipped with an army of well-trained lawyers). This leads to specific difficulties in setting tax targets and ways of achieving them.

The frequent inability to determine the tax obligation precisely resulting from natural limitations leads to the need for the relevant institutions to resolve disputes. These institutions form the organisational level of the tax environment. The importance of this level results from the fact that the way these institutions operate creates certain conditions and effects for the business activity of the company. The form and type of tax management activities depend largely on the predictability and timeliness of the legislator, tax authorities and the judiciary. The tax strategy is determined, inter alia, by factors such as: the way the legislator introduces new regulations (e.g. the problem of *vacatio legis*), the interpretations applied and the responsibility of the tax authorities (e.g. the problem of uniform interpretation), timeliness and uniformity in the resolution of disputes by the judiciary (e.g. the problem of uniformity of rulings on the same matters). Eventually, therefore, the way in which the tax system institutions operate determines the field for managing taxes in an enterprise⁴.

The economic sphere of the tax environment concerns the scale of collection from the taxpayer's assets. The size of the tax burden is determined by tax expenditures, which include not only payments of individual taxes and para taxes, but also expenditures related to incurring costs of recording, resolving and reducing tax risk. High tax expenditures in the entrepreneur's perception are an additional motivation in tax management⁵. The high tax burden also leads the taxpayer to take risky, and often even illegal, actions just to avoid paying excessive amounts. The tax strategy takes a more aggressive form in the case of significant tax burdens, while in the case of lower burdens, it is rather conservative. At the economic level, it should also be noted that the use of tax instruments (e.g. accelerated depreciation) to reduce tax payments should be preceded by an economic calculation. Benefits are often the only potential, and their realisation depends on meeting a number of conditions, including economic ones (e.g. showing a sufficiently high income).

2. Tax environment

The psychological level of the tax environment means that the specific impact of taxes on taxpayers must be taken into account (which can often be heard in the corridors of offices of tax institutions and on the sidewalk below their buildings).

The psychological impact has two dimensions:

- firstly, taxpayers, including entrepreneurs, often behave unreasonably towards the tax system, seeking at all costs to reduce tax payments, which can lead to an unjustified increase in the risk of business activity and is at the expense of other company objectives; as a result, such action becomes unprofitable,

³ Ibidem.

⁴ Ibidem.

⁵ Ibidem.

- secondly, tax constructions very often contain apparent benefits and facilities which, when applied more or less consciously by the legislator, are intended to create the “impression” that the tax system supports economic development and thus creates the right business climate.

The psychological impact mainly concerns small entrepreneurs who are not able to make an economic assessment of benefits and facilities (e.g. tax credit or tax capital group). The tax strategy should therefore be based solely on economic calculation, despite the characteristic psychological pressure.

The analysis of the tax and other obligatory charges and the tax system (tax environment) is the basis for determining what are the problems of the entrepreneur related to any taxation, what are the risks that arise and what are the possibilities of minimising the tax burden and tax risk, which are the objectives of tax management.

Some companies do not pay taxes in accordance with the law. The provisions of both Polish and EU law allow for this in specific situations.

Tax exemptions are of great social, economic or even political importance. The existence of particular types of exemptions has different functions, e.g. benefits for doing business in special economic zones (SEZ) are aimed, among others, at supporting entrepreneurship in areas with high unemployment. It is thanks to the benefits, according to the Ministry of Economy, that 120 thousand people found jobs in the SEZ. Some SEZ were established for specific purposes. This was the case in Kraków, where it was intended to attract thriving high-tech companies that contribute to the region's technological development.

Protected workplaces also benefit from special preferences, e.g. those which are exempt from property tax, and also benefit from certain income tax exemptions: from natural and legal persons. As a result, many people with disabilities, who would find it difficult to obtain a job in other companies, find employment in protected workplaces.

After Poland's accession to the EU, companies paying dividends to firms from other EU countries may benefit from tax preferences. Dividends are exempt from income tax in our place. The tax preferences also benefit entrepreneurs who create new workplaces, taxpayers who take advantage of the exemptions set out in the PIT Act and institutions such as the State Treasury, the Social Insurance Institution (ZUS) and the National Bank of Poland.

Conclusion

The ideal situation will be when state authorities start to perceive companies as equal partners and allow them to develop further through easier and more affordable taxation. Today, many ambitious and creative people with a predisposition to run a profitable business are deterred by the high costs that await them. Many governments need to change their mindset and focus their actions on partnership. The logical conclusion is that the more companies operate in the market, the higher the state revenues from, e.g. taxes they pay. Currently, a noticeable trend is to resort to so-called tax havens, where due to the transfer of corporate income, revenues to the state budget are becoming increasingly smaller. The state feels similar effects through the development of the grey economy. People are massively employed in the black economy because legal work is often unprofitable. They also emigrate to foreign countries, leaving part of their income there. Obviously, the state has the policy to prevent these negative aspects of life, but is this policy sufficient? After all, many countries show that people do not want to cheat on the state when it takes good care of them, so why? Poland is a country of extremes - not only the authorities but also the society have to change their mindset, transforming it from a combinatorial to an honest one. A current example is an increase in excise duty on cigarettes - the authorities were counting on millions in budget revenues, and it turned out that this resulted in only losses. Since neither the consumption of harmful goods has decreased, nor has state influence increased, only the grey market and

illegal trade in cheaper and illegal foreign products have developed. Whether it is better to lower tax rates and enable more write-offs resulting from the activity, thus increasing the number of people willing to run it or to establish taxes that are getting higher, discouraging the establishment of new and growing existing companies, is left to everyone's personal consideration.

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