1. Introduction

Small and medium-sized enterprises function and develop in a complex environment, which according to classical models consist of closer, competitive area (mostly institutional environment) and further, general environment, related above all to specific social and economic processes. Legal environment, particularly regulations and obligations related to tax law, is an important constituent of general environment and a factor that has a strong impact on development of SMEs. The results of numerous research show that these obligations have been the most serious barriers to development for micro, small and medium enterprises for many years [see e.g. 11, p. 107-121, 1, p. 206-210, 2, p. 4-11].

The goods and services tax is one of the tax titles, which imposes a lot of duties on entrepreneurs. It is a hidden tax, which means it should not burden taxpayers taking part in trade of goods and services who are not their final recipients. It is the customer who is the final link in trade that should be charged with this tax. [22, p. 6]. Business practice and empirical research provide, however, a lot of proofs of fiscal burdening of business entities with this tax.

On the other hand, this tax enables small and medium-sized enterprises to draw certain financial advantages, including the improvement of cash flow, or market advantages that offer clients the possibility of getting extended terms of payment for goods or services. Thus, it essentially determines the functioning and development of small and medium-sized enterprises.

Bearing this in mind, the evaluation of directions and impact of goods and services tax on development of small and medium-sized enterprises have been assigned as the aim of the article. Quantitative empirical research has been conducted to realize the aim, using questionnaire survey method on the sample of 30 micro and small enterprises from the Lodz region. Moreover, qualitative in-depth research in the form of case study of medium-sized enterprise Majami sp. z o.o, were conducted.
2. Tax system as a constituent of environment of small and medium-sized enterprises

Tax system can be defined as the entirety of taxes obligatory in a given country, being a uniform, internally consistent whole as far as law and economy are considered [19, p. 18]. It is generally assumed that tax is a financial benefit payable to a country or other public institution, compulsory, common, non-returnable and gratuitous, levied on the basis of relevant rules of law. [20, p. 18].

A tax system functioning in Poland was created after the change of political system at the beginning of the 1990s. It is a complex solution based on several main taxes and a range of additional, complementary taxes. Efficiency understood as the ability to ensure appropriate level of budget revenues was the main aim taken into account when creating it. The system is composed of the following basic taxes [20, p. 49-50]: personal income tax, corporate income tax, goods and services tax and excise tax.

Polish tax system also includes complementary taxes, which are to tighten the tax system. They differ significantly and concern multiple sources. They include:
- inheritance and donation tax,
- real estate tax,
- vehicle tax,
- gambling and lottery tax,
- farm tax,
- forest tax,
- tax on civil law transactions,
- tonnage tax,
- stamp duty and other charges.

Tax titles being a part of the tax system can be classified according to various criteria. For example, three groups of taxes can be distinguished according to the subject of taxation criterion: income (revenue) taxes, property taxes and expenditure taxes [13, p. 19-20]. Division of taxes according to criterion based on a relationship between tax burden and a payer of it is also significant. They include the following taxes: indirect and direct taxes. According to criterion of enforcing budgets, tax titles can be divided into:
- taxes coming in to country budget, i.e. imposed by state authorities,
- taxes coming in to local authority budgets.

Regardless of assumed divisions, taxes being components of legal dimension of general environment of SMEs, essentially influence their functioning and development. Legal and tax environment and its impact on development of business entities are characterized by three following features:
- high complexity, measured by the number of legal acts making up tax system and also a significant number of regulatory and control institutions,
turbulence, understood as continuous changeability of provisions of law, ambiguity of their interpretation and necessity to adapt to changing conditions,

- low potential influencing negatively the development of small and medium-sized enterprises, which entails e.g. the necessity to incur additional costs (financial and non-financial, including lost benefits) by SMEs in order to realize legal and tax obligations.

For instance, regulations in the area of indirect taxes require constant attention whereas ignorance of entrepreneurs limits essential possibilities of controlling these taxes in an enterprise. The owners of small and medium-sized enterprises consider that lack of legibility in legal regulations increases the risk of running a business and generates additional costs, which burden an enterprise and reduce competitiveness of enterprises in this way. Tax safety is of great importance for small and medium-sized enterprises as tax risk, which can threaten their functioning, increases along with the increase of scale of business activity.

The existence of goods and services tax in economy entails additional inconveniences for entrepreneurs in the form of obligation to record and register activity in detail. The process is particularly burdensome in case of existence of several tax rates as well as numerous exemptions whereas detailed record must be based on billing system and more and more often on recording sales by means of cash register [15, p. 38-39].

As a result, the necessity to fulfills requirements related to taxation influences multidimensionally the functioning and development of small and medium-sized enterprises. Basic directions of this influence include [see broader: 10, p. 215-218]:

- necessity to incur particular tax burdens, which is related to the fact that the tax is compulsory as well as sanctions for not obeying the obligation of paying it,
- necessity to adapt to changeable rules of law, which is the result of dynamic changes in tax regulations as well as increasing number and increasing volume of legal acts,
- necessity to ensure appropriate human resources and organizational solutions, allowing to fulfills requirements of tax regulations. In addition to that, a necessity often arises to use proper infrastructure including most of all application of appropriate IT systems needed for collecting, processing and publicizing various information from accountancy system (including data obtained from simplified accounting machines) for the needs of recipients of tax information of an entity. They are often computer systems, which causes that the necessity to meet the demands related to taxation influences the development of computerization of small and medium-sized enterprises.
- influence on costs of functioning of enterprises. It is the consequence of ensuring human, organizational and infrastructure resources described above by business entities,
- influence on widening the circle of stakeholders of SMEs. Basic entities that SMEs come into relation with as far as fulfilling tax obligations is considered, include: public administration offices (revenue offices, revenue chambers, the Treasury Control Office, Ministry of Finance as well as business environment entities such as: consulting companies, accountancy offices, tax offices, tax consulting offices, suppliers of equipment and software for bookkeeping of an entity, suppliers of office materials and a number of other entities,
- influence on development of organizational structures of SMEs, including development of contract and network structures occurring between business entities and based on cooperation relationships.

A slight impact of small and medium-sized enterprises on changes and formation of legal and tax environment is its important characteristics. It means that these entities can most of all react to changes in this environment by adapting to them. Therefore, **flexibility of action** and ability to adapt to changeable and turbulent external environment is an important feature of small and medium-sized enterprises.

### 3. Basic rules of goods and services taxation of small and medium-sized business entities

The goods and services tax is an important element of Polish tax system. It is an indirect consumption tax\(^1\) which reinforces country budget. Its essential role in tax system results from the fact that it is the most important component of budget incomings.

As an indirect tax, it burdens a taxpayer so that it does not closely concern its income and property structure. The economic burden of the tax is eventually carried by a buyer of goods or services. For a seller, i.e. a business entity (which is burdened with the tax), it is nominally neutral as economic burden is encumbered by third parties [14, p. 98-99].

**Activities** performed by business entities are subject to this tax. In accordance with the law, the following are subject to taxation [16]:
- payable supply of goods and payable rendering services in the territory,
- export of goods,
- import of goods,
- intra-community acquisition of goods payable in the territory,
- intra-community supply of goods,
- import of services.

\(^1\) reference books emphasize difficulties in giving unequivocal definition of the characteristics of this tax. It can be both classified as consumption tax and as income tax, as well as property turnover tax [3, p. 39].
As a result, business entities, including small and medium-sized enterprises performing the above mentioned activities in the course of their functioning, are obliged to tax them and therefore become payers of GST. GST payers include legal entities, organizational units without corporate status as well as single entities leading a business activity regardless of the aim or result of such activity.

Recognizing performance of an activity subject to goods and services taxation entails the existence of tax obligation. This obligation originates at strictly defined moment [3, p. 341]. A general rule states that tax obligation starts at the moment of delivering goods or rendering services.

The moment tax obligation arises, a taxpayer is obliged to submit GST output, which is calculated referring tax rate to a tax base. It is, therefore, the amount of tax that burdens turnover reached by a taxpayer. Posting an invoice documenting the sale of goods, a taxpayer is obliged to present the amount of output tax in it. On the other hand, registered GST payer has the right (after a number of conditions have been fulfilled) to reduce output tax by the so called input tax, included in the price of purchased goods and services used while leading business activity. Reducing output GST by input GST can be done only in the same scope as purchased goods and services are used to perform taxed activities.

Purchase of goods and services inside the country is a basic category of activities which are the source of the right to deduct. The amount of tax shown on invoices a taxpayer received when buying goods and services or invoices proving prepayment, if they resulted in tax obligation, is the input tax [18, p. 40].

Therefore, the difference between output GST and input GST is the tax to be paid to the revenue office (tax obligation). The output tax is a product of turnover amount and proper rate whereas the input tax is the total sum of tax amount presented in invoices and customs documents showing a taxpayer’s purchase. It is the so called basic mechanism of goods and services tax [3, p. 347].

The phases of this mechanism, being a logical sequence of actions of every taxpayer, include [12, p. 67]:
1. Determining the amount of output tax.
2. Determining the amount of input tax.
3. Calculating the difference between determined amount of output tax and the amount of input tax.
4. Tax settlements in goods and services tax:
   - paying the difference to the account of revenue office, if the amount of due tax exceeds the amount of input tax,
   - return of the difference when the amount of charged tax is higher than the amount of due tax. The return can be direct (to the payer’s account) or indirect in the form of pushing the excess of input tax to next settlement periods [18, p. 27].
In the case of goods and services tax, the rule of **self-assessment** is in force. It means that tax organs do not give the decision of the amount of tax obligation unless it is stated that the amount of output tax has been inaccurately calculated by a taxpayer [5, p. 545]. Three methods of settlements with the revenue office can be distinguished here. They are:

1. **Settlement according to general rules** – accessible to all taxpayers. It states that tax obligation arises basically at the moment of giving out goods or rendering service regardless of received payment from the client. The settlement is made on a monthly basis.

2. **Quarterly settlement** – available from 1st January 2009 for all taxpayers (previously only for the so-called small taxpayers). The difference between this form of settlement and general rules consists basically in extending settlement period to 3 months.

3. **Cash method of settlements** – available only for the so-called small GST payers. Tax obligation arises at the day of settling all or a part of the amount due by a buyer, no later than on the 90th day, starting from the day of giving out a product or rendering a service. The choice of this method is at the same time related to quarterly period of settlement with revenue office. Moreover, attention should be paid to the fact that cash method refers both to output tax connected with sales and also input tax [21, p. 187]. In this case, a taxpayer is also obliged to keep additional record of [5, p. 545]:
   - terms of payment for particular invoices partly and at large,
   - 90 days term of payment, starting from the day of giving out a product or rendering a service,
   - date of giving out a product or rendering a service,
   - invoices postponed to a next quarter, whose obligation did not arise in current quarter due to lack of payment.
   - additionally, sales invoices have to be marked as small taxpayer invoices.

**Exemptions** constitute an important part of the structure of goods and services tax. The specificity of exemptions in goods and services tax relates among the others to the fact that exempt taxpayers cannot deduct input tax from output tax [3, p. 350]. Therefore, an exemption does not need to be more advantageous than the taxation. It is one of the characteristic features of goods and services tax. Tax exemption of one of the phases inside the production or distribution chain causes: breaking neutrality rule due to tax deductible revenues as well as levying tax on a tax. This results in increase in price of final product. However, when the last production phase is exempt from the tax, ultimate price of final product is lowered, which is undoubtedly favourable for consumers [17, p. 810].

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2 since 1st January 2009, a small taxpayer is the one whose amount of sales did not exceed the total amount of 1 200 000 euro in the previous tax year and 45 000 euro in the case of taxpayer performing activity within brokerage services.
On the other hand, being a GST payer enables to post GST invoices, which sometimes encourages contractors to buy goods and services. It is related to the fact that a GST payer sells a product or a service, which can be deducted from due tax by a buyer. The possibility of deducting tax causes that GST payers more readily buy goods and services from other GST payers rather than from exempt entities [3, p. 350].

In accordance with the act, two kinds of exemptions can be distinguished: subjective and objective exemption. Taxpayers whose taxed sales value did not exceed an amount of 150,000 PLN overall in the previous tax year are subjectively exempted from goods and services tax. Objective exemptions are the other type of exemptions. In this case, it can be simply stated that activities performed in the public interest, such as e.g. services of Polish Post or health and social care services, are exempt [9, p. 26].

Tax rates, which allow determining tax amount, are an inherent part of goods and services tax. In the case of goods and services tax, it is a percentage and fixed rate. In Poland, basic GST rate equals 23%\(^3\). Apart from the basic rate, the act also allows for the following rates: 8%, 7%, 4%, and 0%. The application of a given rate depends on the type of goods or services being the subject of taxed activity and also on the circumstances in which a service was provided [6, p. 205].

The rate in export and intra-Community supply of goods equals 0%, which causes essential preferences of due tax that equals 0PLN by virtue of applying zero tax rate, maintaining at the same time a full right to deduct input tax.

In order to settle tax appropriately, The Goods and Services Tax Act imposes an obligation to keep appropriate record on all GST payers (supply and purchase record). Moreover, it defines requirements which these records should observe. Statutory obligation of keeping this record relates to all GST payers, both active and those exempt from the tax. It should be stated here that minuteness of keeping these records is more required from active GST payers than from exempt taxpayers [7, p. 206].

An invoice is one of the most important accountancy documents occurring in goods and services tax as GST records are made most of all basing on invoices. According to art.111 of The Goods and Services Tax Act, those who sell on behalf of people who do not lead a business activity and flat-rate farmers, are additionally obliged to keep turnover record and a record of the amounts of output tax with the application of cash registers [6, p. 214].

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\(^3\) until 31.12.2010 tax rate equalled 22% and the other rates were also 1% lower.
4. Methodology and range of conducted empirical research

4.1. Applied research methods and techniques

Empirical research conducted within the frames of two research projects was devoted to realize the aim of the article:

- research within project no 1 was conducted in 2009 on the sample of 30 micro and small enterprises of the Lodz region [broader report of the research can be found in: 8].

- research conducted within project 2 was in-depth and conducted in the year 2010 in the form of a case study of the influence of goods and services tax on the development of a selected medium enterprise [a broader report from the research can be found in: 4].

Research conducted within project 1 was quantitative and was conducted with the use of questionnaire research method distributed directly to the respondents. An author’s survey questionnaire containing 13 questions was a research tool. Enterprises were selected for the sample in a deliberate way, focusing on companies considered as micro or small according to the criterion of number of the employed. This was usually verified on the phone, before the survey questionnaire was given.

In total, research was conducted in 12 micro and 18 small enterprises. Most of them (80%) were entities functioning as single entities leading a business activity. The sample also included 4 civil law partnerships, an unlimited company and a limited liability company.

Almost all of the entities (97% - 29 of companies) were registered goods and services tax payers in the course of doing the research. The most of entrepreneurs apply a basic rate of goods and services tax\(^4\). Only two enterprises functioning in chemical branch apply two reduced rates. One enterprise was exempt from GST and it functioned in service industry.

The owners of the researched entities were the respondents. They were mostly men (63%), persons aged up to 40 prevailed (63%). The respondents had more or less equally higher (33%) or secondary (30%) education.

Within project 2, research in the form of a case study was conducted in Majami sp. z o.o. located in Belchatow. The choice of the enterprise for the research was made in a targeted way taking into account the size of the company (medium enterprise) and a declared readiness of cooperation from the side of decision-making people in the enterprise. An interview method as well as a document research method was used during research works.

The interviews were conducted using the technique of questionnaire interview with people managing the enterprise. In order to do that, two author’s interview questionnaires were prepared. The respondents giving the answers were: the chairman of the company – a man over 60 years old with higher ICT

\(^4\) at the moment of research, the rate was 22% while at the moment of preparing this article it equalled 23%.
education, on the position of the Chairman of the Management Board of Majami Sp. z o.o. for 14 years, and the head accountant - a woman aged 29 with higher economic education.

The content analysis technique was used during the research of documents, where purchase and sales GST records of the company for the years 2005-2010 served as sources of information. It was researched how financial situation of the enterprise was changing in the scope of GST in relation to changes of sales structure of the enterprise.

4.2. Characteristics of enterprises analyzed in the form of a case study

Majami sp. z o.o. has existed in its current legal form since 2008. Before that year, the enterprise had operated as an unlimited company created by 3 owners. The enterprise started its functioning from the making of chocolate and chocolate-like products.

According to Polish Classification of Activity, the production of cocoa, chocolate and confectionery products (1082Z) are now main areas of its functioning. The basic field of activity is the production of fudges and the production of traditional chocolate covered marshmallows for Polish and foreign markets. The products of the enterprise fulfil all the norms and requirements of the European Union.

Majami sp. z o.o. is located in the outskirts of Belchatow, 52 Czyżewskiego St. The company currently owns two warehouses, a production building and an office building with overall area of 2500m².

In the initial phase of its functioning, the company employed approximately 25 workers. After going into cooperation with retail chains in 2005, employment increased up to 32 people and remained at this level through the year 2006. The year 2007 caused next changes, mainly by entering into cooperation with Germany, 64 women were additionally employed at that time. Their job was to manually wrap fudges. In addition to that, 3 warehousemen and a driver were employed. In 2009, employment increased due to greater number of orders from the EU countries, 135 people worked there. Majami sp. z o.o. currently employs 162 people including disabled employees. Therefore, according to the size criterion, the enterprise can be included in the group of medium business entities.

The functioning and organizational structure of Majami sp. z o.o. is divided into three departments: production department, sales and marketing department and finance and administration department. It is the example of hierarchical line and staff structure, which combines the features of line structure with the features of functional structure. The company is managed by a two-people Board, headed by the Chairman of the Board.

At the moment of creating Majami sp. z o.o., partners made the decision to register the company as goods and services tax payer, submitting registry application form GST-R. They assumed that the company’s turnover would fast exceed the limit of entitled right for GST exemption whereas planned
investments i.e. modernization of machines used for production of the production building would generate large expenses and create the possibility to deduct input tax from output tax. They assumed at the same time a general rule of settling the tax.

Majami sp. z o.o. posts about 150 sales invoices a month. Supplies are realized on the basis of individual orders of clients and systematically on the basis of agreements with retail chains, which more and more often value indigenous products of small enterprises. In order to sustain cooperation, the company gives its permanent contractors long terms of payment. Retail chains such as Carrefour, Makro Cash and Carry and also E.Leclerc are currently main recipients of company’s products. Since 2007, enterprises from the European Union: Germany, Austria and Sweden have been important recipients of Majami confectionery products. Entering foreign markets significantly improved financial situation of Majami and allowed undertaking serious investments in development of machine infrastructure.

The accounts of Majami sp. z o.o. are kept by Head Accountant employed in the company on a labour contract. The accountant works with a professional Microsoft computer program - Grait Plains. This program is a specialized tool used in production companies. It operates in a network circulated inside the company. It comprises all the areas of company management i.e. warehouse economy, product realization record, communication with clients, accountancy record. It makes access to data at every production stage easier for members of the Board. The program also allows automatic creation of GST records on the basis of sales documents introduced to the system directly by customer service department and GST sales documents.

5. Results of questionnaire research in micro and small enterprises

In the first part of the research, the respondents were asked about evaluation of the amount of tax burdens paid by the researched enterprises as well as evaluation of the level of complexity of legal regulations concerning individual tax titles. The researched evaluated these aspects in the scale from 1 (very low burden / complexity of rules) up to 5 (very high burden / complexity of rules). The results measured by the mode of answers are presented in Figure 1.
The researched entrepreneurs bear the greatest tax burdens in relation to income tax. High burdens appear also as a result of goods and services taxation. At the same time, the rules concerning both tax titles were evaluated as the most complex. The results show, therefore, that both income tax and GST essentially influence the functioning and development of the researched SMEs.

![Diagram 1](image1.png)

**Fig. 1.** The evaluation of burdens and complexity of legal rules concerning individual tax titles according to the respondents

*Source: own study on the basis of the results of questionnaire research.*

The majority of the analyzed business entities (97%) are registered as goods and services tax payers. Half of them settle according to general rules, 30% of

![Diagram 2](image2.png)

**Fig. 2.** Monthly costs of settlements in goods and services tax estimated by the respondents

*Source: own study on the basis of the results of questionnaire research.*
companies chose quarterly settlement method and only 17% decided on the cash method of settlements. The necessity to settle goods and services tax is related to incurring certain costs. Therefore, the respondents were asked about how high they estimate the costs of settlements and other obligations related to goods and services tax. The results of entrepreneurs’ answers are presented in Figure 2.

The results show that in 33% of the researched enterprises the necessity of settling goods and services tax is related to incurring monthly costs from 100 do 200PLN. More than a half of the respondents (53%) estimated the costs at the level of 500PLN a month. It results from the fact that the necessity to keep GST records and settlements in GST significantly influences the costs of the researched enterprises. On the other hand, 27% respondents were not able to estimate these costs. It points to their small knowledge on the subject on the one hand and difficulties in estimating costs of enterprises incurred as a result of tax settlements on the other.

In order to determine the influence of goods and services tax on financial situation of the researched business entities more comprehensively, the respondents were asked about the tax effect of settlements in goods and services tax and the amount of tax obligation that occurs in the analyzed companies. The respondents’ answers are presented in Figure 3.

The researched entrepreneurs most often (43%) pay the excess of output tax over the input tax to the revenue office of 1000 to 3000PLN a month. In 23% of the analyzed companies the situation is varied and depends among the others on purchase of fixed assets as well as seasonality occurring in various branches. In
In this case, in some companies surplus of input tax over output tax periodically appears and a chance arises to get a return of tax from the revenue office.

In the course of the research, entrepreneurs were asked about decisions they make in this situation. The results show that 73% of the researched entrepreneurs push the surplus of the tax to the next settlement period. 27% of the researched make various decisions depending on financial and market situation of the company. They did not give, however, any specific situations or factors depending on which certain decisions are taken.

On the basis of the results, a conclusion can be drawn that entrepreneurs are very often afraid to ask for a refund of the excess of input tax over output tax. It is caused by the fear of being controlled by the revenue office. In case of such application, the officials often want to check if the company is really entitled to a refund and whether it is in agreement with obliging rules of law. Entrepreneurs often ask for a refund if economic situation of the enterprise is not good and improvement of cash flow is necessary.

In the following part of the research the respondents evaluated individual elements of goods and services tax construction as well as elements of tax system related to this tax title. The researched evaluated negatively or positively elements specified in the questionnaire. The results are presented in Figure 4.

Fig. 4. The respondents’ evaluation of individual elements of goods and services tax

Source: own study on the basis of the results of questionnaire research.
The majority of the respondents evaluate positively such aspects of goods and services tax as reporting to revenue office, frequency of paying it as well as the possibility to get tax refund. These elements do not constitute barriers to functioning and development in the opinion of majority of the respondents. The rest of the elements specified in the questionnaire were mostly evaluated negatively. It mostly concerns the legibility of legal rules, system of fiscal inspection as well as low flexibility of tax regulations. According to the respondents, these factors constitute basic barriers related to goods and services tax.

The last part of questionnaire research was used for analyzing organizational aspects of goods and services tax settlements. The respondents were asked who deals with GST settlements in their enterprises. In most of the researched companies (69%) external accounting firms do the settlements of the tax while in the case of 24% of entities, settlements are made by entrepreneurs themselves or internal company services. In the remaining enterprises, a competent family member deals with GST settlements.

In the majority of the researched enterprises (63%) goods and services tax is settled with the use of one computer system. The respondents most often pointed to accounting program Symfonia, and Optima program in the next place. 20% of the researched entrepreneurs pointed at using various computer programs in order to support GST settlements. In some companies, however, the settlements are done manually (7%) or partly manually, and partly with the use of computer (10%).

The necessity to do settlements in goods and services tax also expands the circle of stakeholders of the researched enterprises. While executing tax regulations, these companies contact various institutions, including first of all accounting firms (the most often mentioned by the respondents) and revenue offices. The researched companies get in contact with Central Statistical Office, the Treasury Control Office and solicitors to a smaller extent as far as goods and services tax is considered.

6. Analysis of impact of goods and services tax on development of a medium-sized enterprise – a case study

In further part of the research, in-depth analyses concerning the impact of goods and services tax on development of a selected medium-sized enterprise was conducted in the form of a case study. Majami sp. z o.o. has been GST payer since the beginning of its functioning whereas settlements have been done on general rules. During the interview, the chairman stated that when starting a business, partners counted on high profits from current operational activity, i.e. production of confectionery products but they also assumed they would incur high investment expenses meaning to modernize the enterprise. A general rule of
settlements was to enable faster GST refund from investments made. Returned money was to allow financing of current activity.

The chairman also pointed out that this form of settlements is much easier than cash method, which causes that entrepreneurs and accountants have more dilemmas and costs. He indicated three most important factors determining the choice of this method of GST settlement:

− amount of turnover, which causes the necessity of goods and services taxation,
− possibility of faster GST refund,
− possibility of increasing cash flow due to gaining GST refund from revenue office.

During the interview, the accountant paid attention to the fact that in 2010 the company lost its small taxpayer status as it exceeded turnover giving the right to this status (1 200 000 Euro). As a result, the only possible method of settlement of goods and services tax in the analyzed company is now settlement on general rules or quarterly method of settlement.

According to the chairman of the company, as far as GST settlements are considered, the enterprise most often consults the revenue office. In his opinion, these contacts are the most frequent as they result from current obligations that the company has to meet. The accountant also indicated high frequency of contacts with the revenue office. However, in her opinion, the company more often contacts tax advisors as far as GST settlements are considered. The company accountant did not point to other contacts as important in case of GST settlements. In the chairman’s opinion, occasional contacts concern the following institutions: the Treasury Control Office, tax chamber or Customs Chamber, contacts with other institutions are not significant according to him.

The next question that people managing the Majami enterprise were asked was about determining the amount of monthly costs of tax servicing of the company in the scope of goods and services tax settlements. The respondents had to choose between 5 ranges and could give two free answers. The amount of costs incurred by Miami sp. z o.o. in the scope of GST settlements according to head accountant ranges between 2.000 and 5.000PLN a month. On the other hand, in the chairman’s opinion, these costs range between 1.000 and 2.000PLN. Such a discrepancy of opinions can prove low awareness of the chairman as far as this area is considered. The company accountant surely defines these costs in a more realistic way. That is why, she often uses the services of tax advisors in this field.

In the following question, the respondents’ task was to specify the effect of GST settlements in the researched company. In the course of the interview, the respondents stated that since the year 2007, the company has permanently had the excess of charged tax over due tax, which is the consequence of business transactions with European Union countries. Before concluding contracts with main recipient from Germany, the company had sold products mainly in the area of the country, which resulted in the fact that the company had regularly paid
GST to the tax office. The enterprise presently gets GST refunds directly to its bank account on a regular basis. The results are presented in table 1.

**Table 1.** The effects of GST settlements in the researched enterprise

<table>
<thead>
<tr>
<th>Years:</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company pays GST to revenue office</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company gets a direct refund from revenue office</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Company gets an indirect refund from revenue office</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Situation of the company is varied</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

*Source: own study on the basis of conducted research.*

It follows from the above that the enterprise is not afraid of putting forward a motion to the revenue office to get a refund of the excess of input tax over output tax, in spite of frequent controls of revenue office. The refunds are justified by supply of goods to European Union countries and applying preferential, zero GST rate. This situation is also an excuse for the actions of head accountant, who often contacts various advisors in the scope of goods and services tax settlements in order to realize all duties in accordance with rules of law.

The opinions gathered during the interview show that Majami sp. z o.o. is presently drawing a lot of advantages from contracts with EU countries. Delivering its confectionery products to the Euro zone, the company is not taxed with 22% GST rate. When exporting goods, Majami applies preferential 0% rate of GST and therefore GST charges are not so high. The respondents only pointed here to the necessity of continuous following tax regulations, incurring costs related to service of advisors in this scope as well as obligation to keep records.

GST itself is not a big burden in the respondents’ opinions as the company receives direct refunds of GST from the revenue office every month as a result of the intra-Community supply of goods. On the other hand, the head accountant of the company indicated CIT (Corporate Income Tax) as the most serious burden.

Real estate tax also constitutes an important burden for the company in the opinion of head accountant. The company owns quite a lot of buildings with large surface areas which cause the necessity to pay high amounts of GST a month to the account of Belchatow City Office. According to the chairman of the company, Corporate Income Tax as well as real estate tax were considered the most serious burdens whereas vehicle tax was not regarded as significant as the company does not have goods vehicles with gross weight exceeding 3,5 tons, which would entail goods and services taxation.
The analysis of documents of the company proves that tax situation of Majami sp. z o.o. as far as goods and services tax is considered, changed significantly after cooperation with European Union countries had been started. In 2007, the company started export of goods to foreign markets. However, there were settlement periods in the company’s activity in previous years in which the enterprise did not export their goods to the European Community and goods were sold only inside the country. Figure 5 presents the percentage level of sales in particular tax years, divided into directions of market activity.

![Fig. 5. The company percentage of sales in individual tax years divided into directions of market activity](image)

Source: own study on the basis of documents of the company.

The sales of confectionery products in Poland is taxed with basic 22% rate. In such settlement month, an excess of tax due over input tax was observed. The enterprise was obliged to pay tax liability to the account of the revenue office. Therefore, the management of the company does not allow for situations in which there are no intra-Community supplies in settlement months. Since 2009, the company has sold to European Union countries in every settlement period, in 2010, sales make up 77% of the whole number of sales of the company. The sales of products to European Union countries is favourable to the activity of the company as the preferential rate of tax applied in this type of transactions equals 0%. Majami sp. z o.o. has the right to apply this favourable tax rate because it sells products of foreign contractors. In this case, the whole amount from sales goes to the company as it does not have to pay output tax. The possibility of claiming a refund of input tax which the company spent purchasing raw materials and packages for production of goods delivered to European Union countries from the revenue office is another advantage of these transactions.
Even when the amount of raw materials purchased to be used for production as well as the amount of other expenses are lower as compared to general amount of sales, a taxpayer gets a refund to bank account.

The partners did not choose cash settlements method although the company met the conditions of small taxpayer in the years 2008 and 2009. The method was too inconvenient for the production enterprise which issued a lot of sales documents a month with quite long terms of payment. GST settlements on general rules was seen as more advantegous and partners endeavoured after transaction of sales to European Union countries every month, which in a way tempered the existing tax liability towards Inland Revenue.

However, along with the increase in orders from EU contractors, more duties appeared in the accounts department of Majami sp. z o.o.. Employees of accounting department are obliged to draw up documents needed while exporting products as well as take care that issued documents are sent back by the recipient of the products together with all the necessary receipts. In case of not receiving the set of documents required by the revenue office for a given supply, the company is not allowed to apply preferential 0% tax rate. This type of sales should be taxed at a rate of 23%.

7. Summary and conclusions

The goods and services tax as an important element of further legal and tax environment of small and medium-sized enterprises, essentially influences the functioning and development of smaller business entities. The basic directions and effects of this influence include not only the necessity to pay the tax to the revenue office but also the increase in costs of leading business activity, the impact on organization and infrastructure of a company as well as development of relationships with external entities. On the other hand, the possibility of choosing the method of GST settlements enables small and medium-sized enterprises to manage this tax fully and apply tax optimization in order to reduce fiscal burdens.

Empirical verification of these model assumptions was made on the basis of conducted questionnaire research and in-depth qualitative analysis in the chosen enterprise. The basic conclusions that can be drawn from conducted questionnaire research include the following:

− charges related to income tax and goods and services tax were considered by the respondents as the most serious for micro and small enterprises,

− GST settlements on general rules is the most often used method in the group of researched enterprises but the entities incur significant expenses as a result of doing these settlements: more than a half spend up to 500PLN a month on goods and services tax settlements. The necessity to pay tax liability, which in half of the companies equals up to 3000PLN a month, is also considered a significant burden,
the researched entrepreneurs variously evaluate individual elements of tax system related to GST, speak positively of tax reporting and frequency of paying the tax as well as the possibility of getting a refund from the revenue office. Elements evaluated most negatively by the respondents include tax inspection and lack of flexibility of rules,

goods and services taxation also modifies the organization and structures of the researched enterprises. On the one hand, it has an impact on the development of the circle of stakeholders of micro and small enterprises, on the other hand, it also modifies internal information systems by frequent introductions of accounting information systems and information reporting systems.

The conducted case study of the impact of goods and services tax on the development of medium-sized enterprise indicates significant improvement of economic and financial situation of the company as a result of the change of direction of market activity and entering the European Union markets. It enabled the company to apply preferential 0% tax rate and allowed the company to generate regular advantageous excess of input tax over output tax, which reduces tax liabilities of the analyzed entity.

References


