



E-COMMERCE

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ACCOUNTING FOR E-COMMERCE IN POLAND

BASIC CONCEPTS AND
STRATEGIES FOR EFFECTIVE
E-COMMERCE ACCOUNTING

- ▶ EXEMPTION FROM THE OBLIGATION TO USE A FISCAL CASH REGISTER
- ▶ VALUE ADDED TAX (VAT) SETTLEMENTS IN DOMESTIC SALES
- ▶ VAT ON CROSS-BORDER B2C SALES



THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

ACCOUNTING FOR E-COMMERCE BASIC CONCEPTS AND STRATEGIES FOR EFFECTIVE E-COMMERCE ACCOUNTING

In today's dynamic digital world, e-commerce stands as an undeniable driving force of the economy. According to the World Trade Organization (WTO), the global value of e-commerce surpassed \$26 trillion in 2023, marking a growth of over 20% compared to the previous year. This signifies that e-commerce is not only gaining strength but also becoming the primary sales channel for many businesses worldwide.

The increased interest in e-commerce is leading to intensified competition in the market, prompting entrepreneurs to employ advanced financial management strategies to maintain competitiveness and achieve sustainable growth.

Accounting has become a crucial tool for entrepreneurs, enabling them to track expenses, monitor revenues, and analyze the profitability of various sales channels. Proper accounting not only ensures compliance with tax regulations and reporting requirements but also provides transparency and reliability in documenting financial transactions. Additionally, it serves as the foundation for building financial strategies and assessing the effectiveness of business operations, which is crucial for achieving stability and growth in the market.

ESTABLISHING AN E-BUSINESS AND THE SCALE OF BUSINESS OPERATIONS

The decision regarding the scale of business operations is crucial for every entrepreneur. If your sales are low and do not generate regular, significant revenues, it's likely that establishing a business entity (e.g.,

a company) can be avoided. Such sales can be treated as private and may not require formal company registration.

However, as the business becomes more organized and profit-oriented, establishing a business entity becomes necessary. Regular sales of products or services aimed at generating consistent income require forming a company to address tax and legal obligations.

However, there is an option available for those generating lower revenues. If monthly income from business activities does not exceed 75% of the minimum wage, one can operate as an unregistered business entity. This is a beneficial solution for individuals starting their journey in e-commerce who are unsure whether their venture will bring significant income.

Planning for larger-scale operations aimed at substantial business growth, however, requires business registration. In such cases, it is essential to choose the appropriate legal form, such as sole proprietorship, limited liability company (LLC), or joint-stock company (JSC). The choice of legal form is crucial for the functioning and future development of the company, providing greater legal and financial security as well as the possibility to benefit from tax incentives and other advantages resulting from formal business registration.

LEGAL FORMS OF BUSINESS ENTITIES

When establishing a business, a crucial decision is selecting the appropriate legal form. The simplest and most commonly chosen option is sole proprietorship (SP). Starting an SP allows entrepreneurs to begin operations quickly without undergoing complex procedures. This is a convenient solution, especially for beginners, as it involves minimal formalities. However, there is inherent risk associated with this form of business, as the owner assumes full responsibility for the company's obligations, risking personal assets in case of financial difficulties.

For those planning to expand their business on a larger scale, a more attractive option is forming a company, particularly a limited liability company (LLC). In this form, the owners' liability is limited to the amount of capital they contribute to the company, ensuring greater financial security. It's important to note, though, that while liability is limited, members of the management board may still bear responsibility in certain situations.

In addition to these two popular legal forms, there are several other options that may be suitable depending on the nature of the business. Nevertheless, sole proprietorship (JDG) and limited liability company (LLC) remain the most common choices for online sales. The decision to choose the appropriate legal form is crucial for the operation and development of the company. In case of doubts, it is recommended to consult with a lawyer who can clarify the details and help make the best decision.

TYPES OF ACCOUNTING

After choosing the appropriate legal form of business, it is important to understand the associated accounting obligations.

There are two main types of accounting: full and simplified.

- Full accounting is more comprehensive, requiring meticulous recording of all the financial transactions of the company. It is mandatory for trading companies and firms whose annual revenue exceeds 2 million euros. Although time-consuming, full accounting provides a detailed picture of the company's finances, facilitating strategic decision-making.
- Simplified accounting is a simpler version with fewer obligations, suitable for sole proprietorships and civil partnerships of natural persons whose annual revenues do not exceed 2 million euros. It is less complex and cheaper, making it attractive for smaller firms.

If revenues exceed a certain threshold or if the company decides on more detailed financial management, full accounting can be chosen, even if not required. The decision between full and simplified accounting depends on the individual needs and capabilities of the company. In case of doubt, consulting with an accountant is recommended to find the best solution.

SALES DOCUMENTATION IN THE DOMESTIC MARKET

Once you have dealt with your accounting issues, it is important to understand how to document your trading activities. For businesses operating as active VAT payers, issuing VAT invoices for business transactions is essential. A VAT invoice is a fundamental document that records purchased goods or services and specifies the amount due from the customer.

For entities exempt from VAT, although there is no obligation to issue VAT invoices, it is worth being prepared for possible customer inquiries regarding this form of documentation.

Regarding retail sales, despite the lack of a typical obligation to issue VAT invoices, it's important to note that customers have the right to request such an invoice within 3 months of making a purchase. Regarding receipts, they are usually required for each retail sale, with certain exceptions defined in tax regulations.

EXEMPTION FROM THE OBLIGATION TO USE A FISCAL CASH REGISTER

Information regarding exemptions from the obligation to keep records of sales using cash registers can be found in the Regulation of the Minister of Finance dated November 24, 2023. This regulation comprehensively discusses both subjective exemptions, based on revenue thresholds, and objective exemptions, relating to the type of business conducted, such as goods delivery in a dispatch system.

The conditions for exemptions include several key aspects:

- Electronic Payments: Transactions should be conducted using electronic payments.
- Payment Linkage to Sales: Each payment should be directly linked to a completed sale.
- Dispatch: This applies to cases where goods are delivered to the customer.



Important information such as the Polish Classification of Goods and Services (PKWiU) and the National Classification (CN) can be found in the same regulation, which facilitates understanding of requirements and their implications for business operations.

It's worth noting that despite the exemption from the obligation to keep records of sales, it is important to maintain a trace of transactions through the use of non-cash sales records. This is crucial for ensuring transparency and compliance with tax regulations. Keeping such records helps businesses maintain clarity in their financial transactions and ensures they adhere to legal requirements even if they are exempt from using fiscal cash registers.

VALUE ADDED TAX (VAT) SETTLEMENTS IN DOMESTIC SALES

VAT plays a significant role in domestic sales, and understanding its principles is crucial for conducting business activities. There are various types of VAT exemptions that are worth considering.

Firstly, there is a personal exemption applied when revenue does not exceed PLN 200,000. Exceeding this threshold requires maintaining complete sales records. This applies specifically to Poland, and it is advisable to verify the regulations for each country individually.

Secondly, there is a substantive exemption applicable to specific types of activities. This means that certain industries may be exempt from the obligation to use cash registers due to the nature of their operations. However, utilizing this exemption results in the inability to deduct input VAT, which has significant financial implications. As this rule pertains specifically to Poland, it is recommended to review the regulations for each country separately.

Additionally, there are industries mandated to register under the Value Added Tax (VAT) system, necessitating a thorough analysis and understanding of tax regulations when conducting business activities. All exemptions and tax obligations should be carefully considered to avoid unforeseen financial consequences.

VAT ON CROSS-BORDER B2C SALES

In the case of cross-border B2C sales, there is a specified threshold of PLN 42,000 that determines the obligation to account for VAT. This threshold is a crucial criterion for

entrepreneurs operating in international markets, as exceeding it may require VAT registration in the respective country and VAT reporting in the appropriate jurisdiction. There is also the possibility of utilizing the VAT exemption mechanism in Poland, while still being subject to taxation on international transactions according to the applicable regulations in those jurisdictions.

To benefit from such exemptions and conduct transactions in compliance with tax laws, it is necessary to register for VAT in the respective countries where sales are conducted. This is a significant step enabling legal and transparent conduct of international business operations.

Additionally, to facilitate tax settlements for businesses operating within the European Union, there is a procedure known as the [One Stop Shop \(OSS\)](#). It allows you to report and pay VAT related to B2C online sales in an alternative to traditional VAT registration in individual countries. This solution significantly simplifies tax procedures for enterprises engaged in international trade activities regarding B2C sales, eliminating the need for VAT registration in multiple countries and reducing bureaucracy and administrative costs associated with international business.

VAT EU REGISTRATION IN POLAND

In B2B transactions (business-to-business), a significant consideration is the registration for VAT within the European Union. In the context of international transactions, two key terms are crucial: Intra-Community Supply of Goods (ICS) and Intra-Community Acquisition of Goods (ICA). "ICS" refers to the supply of goods between different EU member states, whereas "ICA" describes the acquisition of goods by a VAT-registered entity in one EU country from a supplier registered in another EU country.

Distinguishing between ICS and ICA is crucial for VAT accounting in international transactions between businesses because it determines who is liable for VAT and in which country the transaction should be taxed. Proper interpretation and application of these terms are essential for the correct VAT reporting in international transactions.

REFUNDS ACCOUNTING

Refunds accounting is a process that requires meticulous accuracy and consistency. An essential step involves categorizing refunds into two main types: product returns and refunds. It's important to note that sometimes it can be uncertain whether the returned product has actually been received back into inventory, which further complicates the accounting process. Therefore, strict monitoring of inventory levels and maintaining up-to-date records of returns are necessary.

Additionally, it is important to remember the necessity of adjusting the sales invoice (FV) to reflect the return of goods or issuance of refunds to the customer's account. Implementing these procedures enables accurate and precise accounting of returns, which is crucial for maintaining proper financial documentation and effective warehouse management.

By ensuring proper accounting of returns, businesses can avoid ambiguity and

maintain clarity in financial records, thereby contributing to efficient management of commercial operations.

MANAGING PAYMENTS IN E-COMMERCE

In e-commerce, especially for large enterprises, effective management of payments is a critical part of the sales process. This task is highly complex, requiring the harmonious synchronization of multiple key elements.

Firstly, it is important to properly settle payments made by customers. This involves tracking, identifying, and confirming each transaction, which is necessary to maintain transparency in accounting.

Next, it is necessary to issue an appropriate sales document that includes transaction details and serves as the basis for any potential claims or returns. The next step involves receiving payment into the company's account; however, it's important to note that this amount is often reduced by the payment gateway's commission, which needs to be accounted for in the reconciliation process. Simultaneously, the fulfillment of the order involves releasing the goods from the warehouse and shipping them to the customer, ensuring timely delivery.

It's worth emphasizing that a crucial aspect of this process is effectively integrating summary reports from payment intermediaries with specific transaction data. This allows for efficient monitoring of payments and identification of any potential issues. The entire process can be challenging due to numerous data sources to reconcile and the need for continuous monitoring. However, leveraging appropriate technological solutions such as advanced payment management systems enable automation of many tasks and streamlines accounting and warehouse processes, contributing to the efficient operation of e-commerce.

THE ROLE OF WAREHOUSE DOCUMENTATION IN E-COMMERCE

Warehouse documentation plays a significant role in e-commerce, although it is not mandatory for all entities, especially those not subject to the Accounting Act (UOR). Its primary purpose is to track the physical flow of goods from their receipt into the warehouse to their dispatch to customers.

It's important to understand that warehouse documents do not record sales or payments themselves but rather the movement of goods within the warehouse. They serve as essential tools for monitoring changes occurring in specific batches of goods and identifying any potential issues related to warehouse management.

While warehouse documentation is not a direct sales document, its proper management and integration with other trading processes enable effective inventory management. This is crucial for maintaining operational fluidity in commerce, facilitating timely deliveries, and preventing stock shortages or excess.

CHALLENGES IN E-COMMERCE

E-commerce presents numerous challenges and issues that can impact business

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effectiveness. In addition to managing large volumes of data from diverse sources, there are other critical aspects to consider.

One of the main challenges is maintaining consistency and accuracy in financial data amidst the dynamic pace of sales and continuous market changes. Additionally, difficulties inevitably arise in adapting to variable tax regulations and e-commerce regulations.

In the technological context, selecting appropriate tools and IT systems is crucial for the efficient functioning of accounting processes. Innovative solutions can not only streamline data management but also accelerate accounting procedures and enhance accuracy.

Addressing these challenges requires a comprehensive approach that considers both technological and organizational aspects. It's important to continuously adapt to evolving market conditions and explore new ways to optimize processes.



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DOMINIKA
Account Manager
for online retailers
regarding new clients
Localization: Wrocław



- ▶ **Phone:** +48 71 388 13 54
- ▶ **Mobile:** +48 608 34 32 32
- ▶ **Phone:** +49 151 46107772
- ▶ **Contact:** <https://amavat.eu/contact/>

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FEEL FREE TO CONTACT US

amavat Sp. z o.o.

ul. Zwycięska 45
53-033 Wrocław

Mobile: +48 71 388 13 54
E-mail: info@amavat.eu

▶ [amavat.eu](https://www.amavat.eu)
▶ hlb-poland.global

