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# TAX CONSOLIDATION: TOOL OF CREATION RELATIONAL RENTS, AND INTERFIRM PERFORMANCE

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**Purpose:** the aim of the study is to identify the conditions and effects of using the tax consolidation tool by cooperating enterprises. We expect that the implementation of such an intention will allow us to capture the profit-creating role of this tax system tool.
**Design/methodology/approach**: this objective was undertaken using the literature review method supplemented by an analysis of the content of legal regulations in Polish tax law relating to tax consolidation. In particular, in the empirical layer, the analysis was carried out on normative acts regulating the taxation of related entities and tax groups, according to the legal status at the end of 2024.
**Findings:** it was established that the consolidation of business entities for the purpose of joint tax settlements can bring measurable benefits for these entities, both financial and organizational. However, in the organizational scope, the level of benefits can hardly be considered satisfactory. The need for mutual adjustment required by high interdependence means that adaptation will probably take longer than in the case when adaptation efforts are more autonomous.
**Research limitations/implications**: a limitation of the presented results is the lack of support for the findings made in (quantitative or qualitative) empirical studies among specific entities that have used or could have used the tax consolidation tool. The study is the result of preliminary work on the issue of tax consolidation in the context of achieving relational rent.
**Practical implications:** the research results may be support for companies that are facing the evaluation of cooperation relations, but also for those that are considering the possibility of using tax consolidation tools.
**Social implications:** the study informs about one of the instruments of public policy.
**Originality/value:** the problem addressed is not entirely new but rarely addressed in the literature in the presented approach; the article is addressed to scientists and practitioners.
**Keywords:** interorganizational relationships; relational rent; consoldation tax; interfirm performance.
**Category of the paper:** Technical paper; General review.

## 1. Introduction

The transformations that have been taking place in the environment in recent years, primarily in the area of digitalization and deepening interdependence, are fundamentally changing the conditions in which companies operate and, consequently, the paradigm of management sciences (Alexy et al., 2018; Zhao et al., 2020; Brenk et al., 2025). These trends emphasize the need to open organizational systems, go beyond the traditional boundaries of activity, in fact facilitating the creation of value on the path of close interactions with partners, redirecting the optics of achieving competitive advantage from a specific enterprise to the cooperative arrangements of companies (interorganizational relations) (Schleimer, Faems, 2016; Weber; Heidenreich, 2017; Zott, Amit, 2010). In the conditions of an intentionally created space of relations, the functioning of a company gives it the opportunity to participate in projects that go beyond its individual resource potential and achieve benefits (Grönroos, Ravald, 2011; Lambert, Enz, 2012), thanks to the effect of inter-organizational synergy, which in the literature is identified with relational rent (Wójcik-Karpacz, 2012, p. 53). This is jointly generated by the parties in the relationship and none of them (the parties to the relationship) can generate them on their own (acting in isolation). They can only be generated through joint actions (Haugland et al., 2021).

The literature indicates that generating relational rent between cooperating parties most often occurs through exchange, integration or investment in assets specific to this relationship, knowledge and resources or capabilities and through the use of an effective mechanism for coordinating this relationship in order to reduce transaction costs achieved through cooperation with the partner (Ghosh, John, 2005). Less attention is paid to the deepening of benefits that companies can achieve by improving the governance mechanism of the relationship by using a tool in the form of tax consolidation. The effects of this tool can put companies (parties to this relationship) in a more advantageous position compared to those companies that settle their tax liabilities individually and therefore in a non-consolidated manner, even when assuming that they operate in a cooperative arrangement. The expected consequence is the achievement of higher results.

The aim of the study is to identify the conditions and effects of using the tax consolidation tool by cooperating enterprises. We expect that the implementation of such an intention will allow us to capture the rent-generating (in the relationship of cooperation) role of this tax system tool. In addition, it will allow us to indicate the circumstances that must occur in the legal environment, but also in the business models of the parties to the relationship, so that this tool is appropriately attractive.

This objective was undertaken using the literature review method supplemented by an analysis of the content of legal regulations in Polish tax law relating to tax consolidation. In particular, in the empirical layer, normative acts regulating the taxation of related entities and tax groups were analyzed, according to the legal status at the end of 2024.

In the article, an attempt was made to eliminate the most common shortcoming in research on inter-organizational relations, in the form of a narrow (often one-sided) view of the conditions and benefits of using tools for achieving relational rent. As a result, this issue is usually perceived from the perspective of a specific enterprise (set of enterprises) or generally entities in the environment. In this case, in order to expand knowledge about the analyzed phenomenon, it was decided to view tax consolidation in two formats. The first one, in which enterprises were considered as the central point of consideration. They are in fact the main beneficiaries of potential benefits from the use of this tool for creating relational rent. The second one, which was focused on the fiscal system, including controlling entities. It is in this area that the practice of using this tool, i.e. tax consolidation, is shaped. At the same time, it was noted that the issue of tax consolidation in the literature is usually approached from the perspective of the impact of this method of tax settlement on the economy of a given country (e.g. Onji, 2013), and not from the point of view of specific enterprises – participants of the consolidation arrangement, which in our opinion is a novelty in the approach to the foundations of relational rent.

## 2. Literature review

### a. Relational rent: possibilities of generating it by using the tax consolidation tool

Enterprises create cooperation relations in order to increase the benefits achieved through the exchange taking place in them (Czakon, 2007, p. 118), which they could not achieve acting alone (outside the cooperation system). These relations can therefore be described as systems that: (Banks, 2009; Burger-Helmchen et al., 2011; Nuttavuthisit, 2010; Klimas, 2015b; Piwoni-Krzeszowska, 2013)

- are dynamic and evolutionary relations or interactions,
- assume mutually beneficial exchange with entities in the environment,
- are a tool for implementing the strategy of co-creating value,
- are a tool for mutual creation and reproduction of value using both the logic of the value chain and the logic of the value network,
- they serve to create jointly added value, going beyond the added value traditionally assumed as the purpose of cooperation.

Importance of cooperation increases in a situation of high uncertainty of the environment. The growing complexity and dynamics of the environment have long been noted in the literature (Barringer, Harrison, 2000; Krupski et al., 2009; Czakon, 2012), and some authors even indicate that contemporary conditions can be described as a strategic inflection point, after which diametrical, discontinuous changes in the environment occur (Klimas, 2015a). From the perspective of management theory, the currently observed paradigm shift from enterprise management to relationship management can be considered a determinant of passing through a strategic inflection point (Czakon, 2012; Klimas, 2014). In turn, companies experiencing the aforementioned inflection point often move towards establishing inter-organizational relations, which in new contextual conditions will enable them to achieve not individual (independent of the cooperation system) but relational (together with partners) competitive advantage (Stańczyk-Hugiet, Stańczyk, 2013). This allows us to perceive environmental conditions as a strong premise for initiating inter-organizational cooperation. Therefore, in changing, complex, unpredictable and ambiguous circumstances of the environment, companies show a greater tendency to tighten relations with external partners (Czakon, 2007, p. 98), expecting that by acting together they will reduce costs related to both production and administration costs (Haugland et al., 2021). In other words, if at least two companies decide to cooperate – and they usually do so because of the expected benefits – they assume that together they will be able to operate in a less costly way than if they acted alone (Wójcik-Karpacz, 2012, p. 49). For this reason, cost reduction is perceived as an important measure of the results of interfirm relationships (Ghosh, John, 2005). More broadly; there is no doubt that the beneficial nature of the company's relations with its market partners can be assessed by means of the surplus of benefits – measured in cost or result units – accruing to the company as a participant in mutual exchange, and which it could not achieve if it acted separately and independently. This can only be achieved through cooperation relationships, thanks to which the tangible and intangible resources of enterprises complement each other in such a way that an inter-organizational synergistic effect becomes possible (Wójcik-Karpacz, 2013).

Inter-organizational cooperation can enable organizations to access new markets, technologies, products and capabilities, as well as provide multidimensionally understood satisfaction from such a relationship (Palmer, 2000). This satisfaction can have a positive impact on results. The literature points out that participants satisfied with the relationship strive to maintain/increase the benefits obtained from the relationship than dissatisfied ones, who often complain about the low level of benefits from the investments made and often declare a desire to terminate such a relationship (Matanda et al., 2016). It is worth adding that it is companies that achieve satisfactory results that help maintain a positive image of the cooperative system. If companies, acting together, are more profitable (profitable) or more competitive than if they acted separately, it can be said that an inter-organizational synergy effect has occurred between them. Its appearance is equivalent to the fact that the benefits resulting from cooperation are greater than those that can be achieved independently (St. John, Harrison, 1999). Kotarbiński confirmed this by claiming that synergy will occur if and only if the acting entities, if they cooperate, achieve more than if they acted individually (Wójcik-Karpacz, 2013). All the more so because the behavior of a given element within the system is different than that expressed in isolation (Bertalanffy, 1984, p. 99).

The occurrence of a synergy effect in this form allows us to treat the cooperation relationship as a specific and difficult to imitate resource of the enterprise, although its use is only possible with the involvement of the partner. If we take into account the effects of this type of relationship, it can be considered a source of relational competitive advantage. Hence, synergy is one of the most important phenomena occurring between cooperating enterprises. It is an expression of resources crossing organizational boundaries and establishing routine practices and procedures between the parties to the relationship that enable achieving the above-mentioned synergistic effect identified with relational rent.

Relational rent derived from the theory of relationships is a joint income that does not come exclusively from a single enterprise. Considering the characteristics of the partners, relational rent can be created through a combination of exchanges (Lee et al., 2014). These complex connections within long-term cooperation create a shortage of resources and develop a barrier to the imitation of relational rent (Sweeney, Park, 2010; Zhang, Wang, 2018).

One of the paths leading to the creation of synergy is the appropriate management of the relationship (St. John, Harrison, 1999), which can be both a source of relational rent and a cause of the company's success. The appropriate level of coordination necessary to achieve synergy can be achieved by using many tools, one of which is a formalized tax consolidation mechanism. Tax consolidation is therefore not an independent source of relational rent, as indicated by Dyer and Singh (1998). It should be viewed solely as a beneficial tool of the mechanism of effective coordination of relations. Thanks to consolidation, the participants of the relationship (only acting together) can achieve greater results, which can undoubtedly be described as benefits from the relationship established between them.

The category of "tax capital group for the purposes of corporate income tax" has been functioning in Polish regulations for years. Within this tax, this is a solution that allows several commercial law companies to act as a single taxpayer. In the goods and services tax, such a solution is only just beginning to function. Currently, only capital companies can use the possibility of tax consolidation, because the regulations do not provide for the inclusion of family ties as a basis for several business entities to act as a single taxpayer.

## b. Tax consolidation: conditions and possibilities of achieving synergy effects under Polish tax law

Defining the areas and methods of practical use of cooperation in the activities of enterprises is not a new phenomenon. Analyses in this area have a tradition of several decades in Poland (assuming the year 1989 as the beginning of the process of rebuilding the market economy) and new areas are constantly emerging in which economic entities could gain by joining forces

(Suszyński, 1992). One example of an organizational solution that has been used in the Polish economic reality for years is the existence of several economic entities as one consortium. The purpose of establishing a consortium is most often joint action in the implementation of a specific economic undertaking, which due to its financial potential exceeds the capabilities of a single entity (Matusiak, 2011). Thanks to such cooperation, entities whose size or experience is not sufficient to independently implement a large contract can participate in it. Joining the forces of entrepreneurs does not have to be limited only to the needs of implementing large contracts (in particular in the area of large public procurement). Acting as a group may also be justified in other areas.

Consolidation of business entities for tax purposes, generally speaking, comes down to grouping two or more entities in order to declare and pay taxes as one taxpayer. That is, separate business entities, for tax settlement purposes, act as one group, one taxpayer. With this assumption, internal transactions between group members usually remain neutral from the point of view of their tax liabilities. The fact that some entities in the group generate tax profits, while others may incur losses in a given year, also loses its significance. The tax systems of the European Union countries have long offered the possibility of grouping entities for tax purposes, although the scope and conditions of this grouping are not fully harmonized. Member States provide for the possibility of grouping to a different extent (in different taxes) and on different terms. Similar consolidation processes also take place outside the EU countries (Dabner, 2015). The possibility of tax consolidation is considered to be one of the factors taken into account by international organizations when deciding on the location for conducting business. Being a tax group may involve certain simplifications in settlements and savings, which from the point of view of entrepreneurs significantly improve the conditions for conducting business activity. The privilege of settling as a group could be treated as a kind of bonus for the development of related enterprises. (This approach to lower tax as a bonus for meeting certain conditions is already used in the literature (Takahashi, Yamada, 2022). Conveniences for entrepreneurs consisting in acting as a tax group are usually reserved for entities meeting certain conditions, the basic one of which is usually the condition regarding capital ties of entities in the group. From the point of view of the tax policy of countries allowing such joint taxation of entities, taxation of a tax group is a solution that increases the attractiveness of their tax systems. Although this solution should not always be treated as an effective mechanism for tightening the tax system. The approach itself and its accuracy are not the subject of this article, it is only worth signaling that this issue deserves a separate analysis, because based on a look at even one EU member state (Germany), it can be seen that a large number of tax groups is not associated with low interest in using taxation in tax havens (Fuest, Hugger, Neumeier).

## 3. Method

This objective was achieved by using the literature review method supplemented by the analysis of the content of legal regulations in Polish tax law relating to tax consolidation. The use of this method results from the initial stage of research on this phenomenon from the perspective of enterprises, and knowledge on this subject in the literature is highly dispersed (Ćwiklicki, 2020). In particular, it was decided to focus on journals from databases maintained by key publishers (including Elsevier, Emerald, Springer, Wiley-Blackwell, Taylor & Francis). This review was supplemented with literature in Polish, which was available via the BazEcon, EBSCO-host databases and books available in library resources and legal acts available via professional databases. The selection of content published mainly in scientific journals is dictated primarily by the greater currency of data presented there and a transparent review system ensuring high credibility of the presented content. In the empirical layer, the analysis was carried out on normative acts regulating the taxation of related entities and tax groups, according to the legal status at the end of 2024.

## 4. Results

### a. Tax capital group in corporate income tax in Poland

According to the provisions of Article 1a of the Corporate Income Tax Act, a tax capital group (TCG) is a group of at least two commercial law companies with legal personality that are in capital relationships. Such a group must meet a number of conditions, the most important of which is that such a group may only be formed by limited liability companies, simple joint-stock companies or joint-stock companies with their registered office in the territory of the Republic of Poland, if:

- the average share capital attributable to each of these companies is not lower than PLN 250,000,
- one of the companies (the dominant one) has a direct 75% share in the share capital or in this part of the share capital of the other companies,
- these companies have no arrears in state tax payments.

The agreement on the establishment of a tax capital group must be concluded by the dominant company and the subsidiaries, in writing, for a period of at least 3 tax years and be registered by the head of the tax office (CIT Act). The above-mentioned conditions refer to the legal status in force in 2022. In the past, some requirements to be met have changed, but the historical approach is not the subject of this article, so they have not been described in detail. The main benefits of settling as a tax capital group in CIT usually include: tax savings, in the event of tax losses incurred by some members, a reduction in the workload of group members, because the activities are performed by one entity - the parent company, and no need to fulfill documentation obligations in the field of transfer prices for transactions within the group.

It should be emphasized that over the years, tax capital groups have not enjoyed huge interest from taxpayers in Poland. In 2004, there were five tax capital groups, in 2005 there were eight, and in 2006 – 13. Analysis of individual taxpayer data published by the Ministry of Finance indicates that this trend has not reversed dramatically in recent years either. According to data for 2012, there were 28 tax capital groups, while according to data for the last published period (2020), there were just slightly more than twice as many tax capital groups – 61. It is also in vain to look for a change in the number of these groups at the turn of 2017/2018. Although the regulations were somewhat relaxed at that time, at the same time the legislator provided for a sanction in the form of a retroactive settlement mechanism for groups that lose their status (CIT Act). This low interest in tax capital groups in CIT in Poland is of course justified, which will be discussed later in this article. The main factors discouraging the creation of such groups in the past were usually listed as: the consequences of violating the conditions for recognizing companies as a tax capital group and the condition of achieving a minimum level of profitability by group members.

### b. Tax group in the goods and services tax in Poland

In Poland, the functioning of tax groups for the purposes of settling the goods and services tax has no tradition yet. The provisions in this area appeared in the act on this tax only in 2022 and will come into force in 2023. The coming years will show how much interest this solution will enjoy, and this issue is worth being interested in, because the importance of indirect taxes is constantly growing, which according to some researchers is a positive phenomenon. They consider that indirect taxes reduce inequalities better than direct taxes (Ciminelli et al., 2019). It is worth noting that the possibility of joint taxation in VAT has been long awaited, especially since such solutions are used in EU countries. The institution of VAT groups (German: Organschaft) was initiated in Germany as a result of the case law of the Financial Court of the Weimar Republic (German: Reichsfinanzhof – RFH) from the 1920s and then introduced into the Turnover Tax Act in 1934, which at that time allowed avoiding the tax cascade of the multi-phase gross turnover tax. In 1968, after the value added tax structure came into force, the idea of VAT groups was maintained (Sarnowski and Salera, 2021). In Poland, in accordance with the provision of Art. 15a sec. 1, a taxpayer, within the meaning of the Goods and Services Tax Act, may also be a group of entities that are financially, economically and organizationally related, which conclude an agreement to establish a VAT group. Under this act, a VAT group may be created by taxpayers who have their registered office in the territory of the country and those who do not have their registered office in the territory of the country, to the extent that they conduct business activity in the territory of the country through a branch located in the territory of the country (VAT Act). The essence of this solution is that the entities included in it become a single taxpayer for VAT purposes (and therefore instead of several taxpayers, there is one taxpayer representing all entities included in the VAT group). A VAT group may be created by entities that are financially, economically and organizationally related at the same time. What do these connections consist of in practice? It is assumed that (Dziadura, 2022):

- financial connection – occurs if one of the taxpayers who is a member of the VAT group directly holds more than 50% of the shares (stocks) in the share capital or more than 50% of the voting rights in the control, decision-making or management bodies, or more than 50% of the right to participate in the profit of each of the other taxpayers who are members of this group;
- economic connection – means the same nature of the main activity of the group members or the complementarity and interdependence of the activities conducted or the conduct of activities wholly or largely used by the group members;
- organizational connection – manifests itself in the fact that legally or actually, directly or indirectly, the entities in the VAT group are under common management or organize their activities wholly or partially in agreement.

As can be seen from the above, the legislator approached the issue of connections between entities in a group in quite a detailed way, indicating as many as three types of necessary connections. Such a solution is not an original concept of the Polish tax office. Similar conditions can be found in the legislation of other EU countries. The possibility of recognizing several entrepreneurs as a single VAT payer in individual member states results directly from Council Directive 2006/112/EC. Each member state, after consulting the advisory committee for value added tax, may recognize as a single taxpayer persons established in the territory of the same member state who, while being independent in legal terms, are closely linked in financial, economic and organizational terms (Directive 2006/112/EC). Observations to date regarding the approach of member states to this standard indicate that the requirements of economic, financial and organizational connections are considered to be met in very different factual situations. It is not yet known what approach the Polish fiscal apparatus will take. What can be noticed today is that the requirements regarding economic and organizational connections are quite vague and use terminology that does not yet have one established understanding, or this understanding is different from that adopted by the legislator. Example. Potential group members, when assessing the fulfilment of the condition of economic connections, must obtain an unambiguous answer stating that their main economic activity is of the same nature or complements and interdependent or that the conduct of their activity is used in whole or to a large extent by the group members. In order to obtain an answer to the question of whether the activity is of the same nature, it is first necessary to determine what the nature of conducting business activity is. Analyzing the case law in this area, one can come to the conclusion that when referring to the nature of the conducted activity, courts most often indicate the profit-making nature and the permanent nature of the activity (judgment of the Provincial Administrative Court, 2018). This is probably not how the fiscal apparatus will understand the fulfilment of the condition of the same nature of activity. Given the lack of unambiguity of this term, it can be predicted that the identified ambiguities will pose a potential threat of a dispute between entrepreneurs and tax authorities.

The next important question is how to organize the decision-making process so that it is recognized in the light of the law as organizing an action wholly or partially in concert. There are no guidelines in this respect. The regulations do not provide an answer to the question of what the action and documentation of action in concert should consist of and what a partial agreement actually is. The identified interpretation problems are a consequence of the method adopted in Poland to specify the conditions listed in Article 11 of Directive 2006/112/EC. It results from the provision of the directive that entities, being independent in legal terms, must be closely linked in financial, economic and organizational terms. In the VAT Act, meeting the condition of close financial links is defined as a percentage (50%), while meeting the other two conditions (economic and organizational links) is defined descriptively, imposing rather ambiguous criteria to be met. In addition to the doubts already mentioned above, there are also other concerns: what does it mean to exploit to a large extent, what does it mean to be under common management indirectly, legally or in fact, and whether we understand a direct or indirect relationship as for the purposes of transfer pricing.

The original solution, not resulting from the above-mentioned EU directive, is to introduce the obligation to keep detailed records in electronic form. The obligation resulting from art. 109 sec. 11g of the Act to additionally record transactions in the group is difficult to understand and seems excessive, because the tax administration has had access to information on taxpayers' transactions, including issued invoices, transaction dates and amounts, for several years now via JPK files.

Another requirement for a VAT tax group is that these entities have their registered office in the territory of our country. Taxpayers who do not meet this criterion will also be able to create such a group, but to the extent to which they conduct business activity, using the intermediation of a branch located in the territory of Poland. This condition is also a consequence of taking into account the provision of art. 11 of the directive cited above. It seems clear and its understanding should not cause interpretation difficulties.

### c. Conditions for being a tax group

Before recognizing the conditions that must be met so that, under Polish tax law, several entities can act as a group in Poland and settle as one taxpayer, it is necessary to first determine which specific tax is of interest to entrepreneurs. This issue is important because, depending on the type of tax, the conditions to be met are different. Below (see. table 1) we have listed some of the requirements for creating tax groups in CIT and VAT and highlighted the differences in the conditions to be met in individual taxes.

**Table 1.**
*Conditions for being a tax group*

| Requirements to be fulfilled | Tax Capital Group in CIT | VAT Tax Group |
|---|---|---|
| Required level of equity participation | One of the companies (the dominant one) has a direct 75% share in the share capital or in that part of the share capital of the other companies | One of the taxpayers who are members of the VAT group directly holds more than 50% of the shares (stocks) in the share capital or more than 50% of the voting rights in the control, decision-making or management bodies, or more than 50% of the right to participate in the profit of each of the other taxpayers who are members of that group |
| Contract notification | The agreement is subject to notification by the parent company to the head of the tax office competent for its registered office, at least 45 days before the beginning of the tax year adopted by the tax capital group. | A VAT group representative shall submit a registration application to the head of the tax office competent for that representative, together with an agreement on the establishment of the VAT group, before the date of performance of the first activity specified in Art. 5. |
| Reporting changes | The parent company is obliged to report to the head of the tax office:<br>– changes to the agreement and changes in the share capital of the companies forming the group,<br>– changes in the factual or legal status resulting in a violation of the conditions for recognizing the group as an income tax payer within 30 days of the occurrence of these circumstances | The VAT group representative is obliged to report to the head of the tax office any changes in the factual or legal status resulting in a breach of the conditions for recognising the VAT group as a taxpayer, within 14 days of the date on which such changes occur. |

Source: Own study based on the provisions of tax laws.

As it results from the above, different conditions must be met to act as a tax capital group in CIT, and different to act as a tax group in VAT. This situation may be somewhat surprising, because what distinguishes these two taxes and taxation by them that would require differentiation of conditions for joint taxation of economic entities in each of these taxes. One of the important elements determining joint taxation in both taxes is the existence of links between entities. However, the scope and nature of these links are not defined in the same way for both taxes. It is worth recalling here that the issues of the existence of links between entities, in the provisions of Polish tax law, have been given much attention mainly for another reason. This reason is the need to regulate the issues of applying transaction prices between entities, in a situation where these entities are not strangers to each other. For these purposes, the legislator defined the existence of links between entities completely differently than for the purposes of joint taxation, as illustrated in the table below.

**Table 2.**
*Relationships between entities in terms of CIT and VAT*

| Relationships relevant to transfer pricing | Relationships relevant from the point of view of joint settlement in CIT | Relationships relevant to joint VAT settlement |
|---|---|---|
| Related entities are:<br>a) entities of which one entity exercises significant influence over at least one other entity, or<br>b) entities over which it exercises significant influence:<br>- the same other entity, or<br>- the spouse, relative or affinity up to the second degree of a natural person exercising significant influence over at least one entity, or<br>c) a company that is not a legal person and its partner, or a company referred to in art. 1 sec. 3 item 1, and its general partner, or a company referred to in art. 1 sec. 3 item 1a, and its partner, or<br>d) a taxpayer and its foreign establishment, and in the case of a tax capital group - a capital company that is part of it and its foreign establishment.<br><br>Exerting significant influence means: having directly or indirectly at least 25% of: shares in capital or voting rights in control/constitutional/management bodies, as well as shares or rights to participate in profits. Exerting influence also means the actual ability of a natural person to influence the making of key economic decisions, or being married or having a relationship or affinity to the second degree. | Entities in association are: commercial law companies with legal personality that are in capital associations.<br>The average share capital attributable to each of these companies is not less than PLN 250,000.<br>One of the companies has a direct 75% share in the share capital or in that part of the share capital of the other companies. | Related entities are: entities between which there are joint financial, economic and organizational connections. Taxpayers are considered to be financially related if one of the taxpayers who is a member of the VAT group directly holds more than 50% of the shares (stocks) in the share capital or more than 50% of the voting rights in the control, decision-making or management bodies, or more than 50% of the right to participate in the profit of each of the other taxpayers who are members of that group.<br>Taxpayers are considered to be economically linked if:<br>– the subject of the main activity of the VAT group members is of the same nature, or<br>– the types of activity carried out by the VAT group members are complementary and interdependent, or<br>– a VAT group member conducts activity from which other VAT group members benefit in whole or in large part.<br>Taxpayers are considered to be organizationally linked if:<br>– legally or factually, directly or indirectly, they are under the same management, or<br>– organize their activities in whole or in part in agreement. |

Source: Own study based on the provisions of tax laws.

We therefore have a clear understanding that in tax law regulations, the issue of connections between business entities is an important issue from the point of view of the reliability of the declared tax bases. However, as the above list indicates, there is no single universal definition of related entities. Consequently, the analysis of the existence of connections cannot be performed once and constitute the basis for various needs, i.e. for the preparation of transfer pricing documentation and joint taxation in several taxes. The lowest threshold of connections is provided for in the regulations on transfer pricing. It is enough for one entity to have 25% of the shares in the capital of the other to consider these entities as related. However, this is not enough to consider the condition of connections as met for the purposes of joint taxation in VAT and CIT. Perhaps it would be necessary to determine in which tax the conditions regarding connections are the most restrictive and strive to meet them, and then they will also be met for the other needs. Theoretically, this seems possible, but in practice it does not guarantee success. The highest required level of connections appears in the regulations on tax capital groups in CIT, i.e. 75%. If one entity has more than 75% of the share in the capital of the other, this is enough to consider these entities as related also for the purposes of transfer pricing and the tax group in VAT. Unfortunately, this is not enough to consider the existence of these connections as sufficient for joint taxation in both CIT and VAT, because in VAT, in addition to financial connections, there must be two other types of connections (economic and organizational) and all three types of connections must occur together. Which, in turn, is not required when meeting the conditions for joint taxation in CIT. It is hard not to notice that for the purposes of the taxpayer's obligations, connections are understood much more broadly than for the purposes of using the privileges. It is enough to have, directly or indirectly, at least 25% of the shares in the capital of the other entity to be obliged to prepare transfer pricing documentation. However, this level of connections is definitely not enough to use the right to joint taxation. In order for joint taxation to be possible in VAT, it is necessary to have directly at least twice as many shares (50%), and for the purposes of joint taxation in CIT, as many as three times as many shares (75%). This state of affairs raises legitimate questions about the symmetry of conditions for the purposes of the taxpayer's obligations and privileges. Since for the purposes of transfer pricing we consider that with capital ties at the level of 25% of capital or voting rights, entities cease to treat each other as foreign and apply settlement principles that they would not apply if they were not so related, why can't such an approach be applied consistently for other needs resulting from tax laws? The issue of complications for taxpayers due to the lack of clarity in the concept of related entities should also be emphasized.

**d. Consequences of violating the terms of the tax group**

Both the Corporate Income Tax Act and the Goods and Services Tax Act provide for specific consequences for violating the rules of tax group operation. In the case of tax capital groups in CIT, several fundamental reasons for the group's termination can be indicated: (Nogacki, 2021)

- change in the factual or legal status,
- operation of the group for less than three tax years,
- violation of the share of income in revenues,
- joining another capital group.

These violations give rise to specific consequences. The assessment of the effects of violating the principles of the existence of a capital group is not the subject of this article, therefore these consequences have been signalled without their detailed analysis. Entities included in the group, in the event of the above violations, must take into account not only the loss of the status of a member of the tax group, but also the necessity to settle income tax retroactively, i.e. for the period from the second tax year preceding the day of loss of this status. The situation is similar in the case of a tax group in VAT. It is difficult to predict today what will be the most common causes of violations of the group, but the provisions of the VAT

Act clearly state that a VAT group loses the status of a taxpayer on the day preceding the day of occurrence of changes in the factual or legal status resulting in a violation of the conditions for recognising the VAT group as a taxpayer. This means that if, in the opinion of the tax authority, such a violation occurred several or a dozen or so months earlier, the group members will be obliged to settle separately for the entire period.

**Table 3.**
*Examples of benefits of tax consolidation*

| Type of obligation | Independent entities | Entities in a tax capital group | Entities in the VAT group |
|---|---|---|---|
| Local transfer pricing documentation | Related entities are required to prepare electronic local transfer pricing documentation for the tax year, in order to demonstrate that transfer prices were established on terms that would be established between unrelated entities. Taxpayers usually outsource such documentation to specialist entities, and the cost of the documentation, depending on its complexity, is at least PLN 20,000 and may exceed PLN 100,000. | The obligation to prepare local transfer pricing documentation does not apply to controlled transactions between companies forming a tax capital group. | Not applicable |
| Deducting losses | A taxpayer may deduct a loss incurred in a tax year from the income earned in subsequent years. | It is possible to reduce the corporate income tax liabilities of a capital group within one year, because the income of the PGK is calculated as the sum of the income and losses of the parent company and its subsidiaries. | Not applicable |
| Minimum tax (from 2025) | Income tax, which is due if the break-even point of 2% (ratio of income to revenue) is not reached. | In the case of a PGK, the minimum tax threshold is calculated in relation to the entire PGK, so a loss-making position of one of the group companies does not mean that a new tax has to be paid. | Not applicable |
| Turnover between entities | Transactions with each entity must be documented with invoices | Transactions within the group do not have to be documented with invoices | Turnover within the group is not subject to VAT and is not documented with invoices, and the split payment mechanism or verification of the contractor in the list of taxpayers no longer applies. |
| JPK (Standard Control File) | Each entity is required to submit JPK separately. | Not applicable | The taxpayer is the VAT group as a whole, so one collective JPK is submitted, instead of separate JPKs for each entity. |

Source: Own study based on the provisions of tax laws.

## 5. Conclusion and discussion

The conducted study allowed to identify the conditions and potential benefits of using tax consolidation as a tool for creating relational rent. As it was established, consolidation of economic entities for the purpose of joint tax settlements can bring measurable benefits for these entities, both financial and organizational. However, in the organizational scope, the level of benefits can hardly be considered satisfactory. The number of obligations, records of formalities that must be fulfilled before the formation or during the existence of the group exceeds the actual ones that can be considered necessary from the perspective of the fiscal apparatus. The need for mutual adjustment required by high interdependence means that adaptation will probably take longer than in the case when adaptation efforts are more autonomous.

It was also noted that achieving benefits from using this tool in a cooperation relationship is not easy, because the cooperation arrangement is often exposed to problems arising from the fair, not necessarily even, division of the generated value. This is all the more important when it is noted that the necessary condition for the effectiveness of cooperation is the mutual commitment of participants, which allows to limit the risk of tensions between partners and, consequently, minimize the risk of premature severance of existing relationships (Nuttavuthisit, 2010). In turn, the emergence of tensions may be a factor inspiring the perception of disproportions in tax burdens between taxpayers (or, in other words: inequalities in the approach to individual taxpayers) or even a sense of their deepening. These issues are already observed by researchers (e.g. Ciminelli et al., 2019).

The provisions of Polish tax law in Poland do not provide a clear position on the level of capital ties that determine the approach to the relationship between two economic entities as a group. There is a noticeable lack of universal criteria for determining the ties between entities and the consequences of using them for different needs. For the purposes of introducing the obligation to prepare additional documentation of transactions between entities, the criteria differ from the criteria for joint taxation, and the latter are also different for individual taxes. It also seems justified to observe that from the provisions cited in the article, understood as an offer for economic entities, no single coherent fiscal concept emerges. A concept that would be the result of research on short- and long-term fiscal effects for the State. Such consequences of consolidation concepts should be noticed (Erceg, Linde, 2013). It should be expected that the popularity of joint settlement in CIT within tax capital groups will grow in the coming years. Such predictions result from taking into account two fundamental facts. The first of these is the change in force in Poland since 2021, which consists in recognizing limited partnerships as independent taxpayers of income tax. So far, a number of capital groups have achieved a tax effect similar to PGK by using limited partnerships in their structures. This allowed conducting specific business ventures within separate entities while consolidating tax results at the level of the partner of such limited partnerships (Szysz, Kamińska-Kubiak). The second is the relaxation of some of the conditions for creating tax capital groups as part of the package called the Polish Deal. Among other things, the requirement for the profitability of group members has been waived, the requirement to conclude an agreement on the creation of a group in the form of a notarial deed has been waived, the average amount of share capital that companies forming a group must have has been reduced from PLN 500,000 to PLN 250,000.

The possibility of joint taxation in the goods and services tax is a beneficial solution for entrepreneurs. Unfortunately, the perspective of reducing workload in connection with settling as a group outlined in this way was immediately significantly narrowed by introducing the need for special recording of transactions in the group for these purposes and informing the office about them. Additional factors discouraging the use of settlements in this form are the unclearly defined conditions for the connections of entities in the group, which was described in this article. The quality and usefulness of the current solutions offered by the Ministry of Finance in the field of tax groups should also be assessed in terms of the degree of intuitiveness of the solutions used. This criterion is gaining importance for obvious reasons. Given the multitude of tools, products, applications used on a daily basis, the taxpayer (entrepreneur) has the right to expect that the instructions and related regulations, instructions and warnings take this intuitiveness into account, are consistent, and logical. When establishing tax law norms in the field of tax settlements as a tax group, the lack of specific intuitiveness of these norms is noticeable. As indicated in this article, different conditions must be met for each of the taxes and their fulfilment must be reported at a different time. When promoting voluntary forms of fulfilling taxpayers' obligations, this is a significant complication that taxpayers guided by a certain intuitiveness may not expect. Failure to take into account such aspects brings measurable negative effects, which can be seen by assessing the solutions developed in the Ministry of Finance for the purposes of collecting motorway tolls. It can be assumed that the authors of both the eTOLL system concept itself and the IT tool for paying motorway tolls did not treat intuitiveness as an important assessment criterion. This electronic toll collection system, in force since 2021, clearly did not take into account that other solutions have become common in many already operating applications and payment systems (Act on Toll Motorways..., 2021). This is probably why the application made available for free use by the Ministry of Finance is rated low by users. On a scale of 0 to 5, this rating is at 1.4 (Play Store, 2021). It is obvious that when performing their duties, taxpayers should be guided by their knowledge of the law, not intuition. However, due to the extensiveness of the provisions that make up Polish tax law, expecting all entrepreneurs to have such full knowledge of the regulations would be excessive. Fulfilling all the obligations of entrepreneurs in the field of taxes has for years required not only a large time commitment, but also specialization, and in practice, the legal acts that make up the Polish tax system have long ceased to be the main source of tax knowledge for taxpayers (both for the general public and for entrepreneurs).

The presented results based on the analysis of source materials open up a discussion on the perception of tax consolidation in terms of benefits from cooperation for individual participants of this arrangement, and not only as a positively assessed fiscal effect on the scale of the economy, which is usually emphasized in the literature on the subject (Dobridge, 2021). The results of research on a very large sample conducted by Onji (2013; 2024) showed the existence of a strong relationship between consolidation decisions and incentives in the tax system and tax revenues paid by consolidated entities. All the more reason to assume that the discussed tax tool may be important for creating relational rent through better (more favorable) coordination of relationships.

The fundamental limitation of the presented findings is the lack of support for the findings made in (quantitative or qualitative) empirical studies among specific entities that have used or could have used the tax consolidation tool. For this reason, this study is rather of a contributory nature and is the result of preliminary work on the issue of tax consolidation in the context of achieving relational rent. The article also does not adequately consider the potential drawbacks of consolidation, such as the risk of tax avoidance, conflicts among group members, or government control. These issues may, however, be intriguing avenues for further research.

We are fully aware of the fact that the arguments presented in the article do not close but, on the contrary, open up space for discussion on the topic of tax consolidation. First of all, they are a strong inspiration for conducting extensive research in the future among companies using this tool, but also among tax authorities, in order to empirically verify the issues observed.

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