

# Doing Business in Poland

01 January 2024



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# Foreword

**Nexia Advicero** ([www.nexiaadvicero.eu](http://www.nexiaadvicero.eu)) is a professional advisory company providing tax advisory, accounting, payroll, financial outsourcing, tax compliance, legal services. We ensure as well advisory and audit support. Within Nexia Advicero group there is a professional tax advisory company licensed by the Polish Ministry of Finance, employing licensed tax advisers, attorneys-at-law and legal counsels.

**Nexia Advicero** is a consulting company providing comprehensive advice covering tax advisory, legal, accounting and payroll outsourcing services, VAT compliance and corporate services. Through cooperating entities we also offer financial audit.

**Nexia Advicero** place the greatest emphasis on an individual approach to each Client and project, we always adjust our offer to specific needs. We know that each Client is unique, so we apply a flexible approach to each issue. We value long-term cooperation and grow together with our Clients. The Clients appreciate our commitment, safe solutions and a multidisciplinary approach. Having the background of working in the strongest advisory practices in Poland, we know not only how to provide the Clients with the highest quality advice, but also how our Clients' business works. Thanks to that, we are able to address and match our Clients' needs and we can flexibly adapt to changing demands the Clients' business may bring.

Our experience determines the scope of our advice, which covers in particular, but is not limited to:

- strategic tax advisory for real estate and construction, retail and FMCG, e-commerce, renewable energy,
- tax and accounting solutions for technology, innovation, manufacturing and trade sectors,
- tax advisory and compliance for investment and private equity funds,
- transactional advisory, due diligence, restructurings,
- management remuneration schemes, GMTS,
- transfer pricing studies, transfer pricing disputes,
- accounting and payroll outsourcing,
- excise duty in trade and production,
- disputes with authorities (VAT) and court proceedings,
- Labour Law.



We provide our services in Polish, English, German and Italian.

**Our mission** is to support the development of our Clients' business and provide them with safe advice tailored to their needs, at the highest quality of our services.

**Our vision** is to be a company close to the Client, recognizable on the market thanks to specialization in specific industries, investing in the development of employees and remembering the pro-ecological aspects and corporate social responsibility.

This brochure provides general information on the Polish business environment and the Polish tax and legal system.

This brochure does not constitute legal or tax advice and shall not be considered as such, unless Nexia Advicero advisers are consulted before using the information presented in this publication. Nexia Advicero shall not be held responsible in case of use nor for the results of decisions taken on the base of this publication.

Professional advice should be obtained before acting or refraining from acting based on the contents of this publication.

## Nexia

Nexia Advicero is associated with Nexia, a leading worldwide network of independent, high quality accounting and consulting firms ([www.nexia.com](http://www.nexia.com)).



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\$2.8bn  
Fee income for 2022

>250  
Member firms

608  
Offices globally

>122  
Countries

21  
Committees and business groups

25,941  
People worldwide

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Firms associated with Nexia have more than 727 offices in over 120 countries. Nexia member firms provide clients with national and audit, accounting, tax and advisory services in a cohesive, personal and customized manner.

An active network: Nexia is a highly active network that drives quality and facilitates collaboration to enable its member firms to provide effective local and global solutions.

Partner-led service: Nexia member firms deliver a partner-led service to clients which ensures continuity, expertise and a deep understanding of the client's business.

Business minded: Nexia member firms are characterised by people who have an entrepreneurial spirit and who can relate closely to the SME and owner-managed businesses.

Supporting international growth: Nexia firms are focused on supporting local businesses as they grow and through the Nexia network, they can also help their clients confidently venture into new international markets.

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- Strategic transactional advisory, tax structuring, due diligence
- Corporate services, accounting advisory
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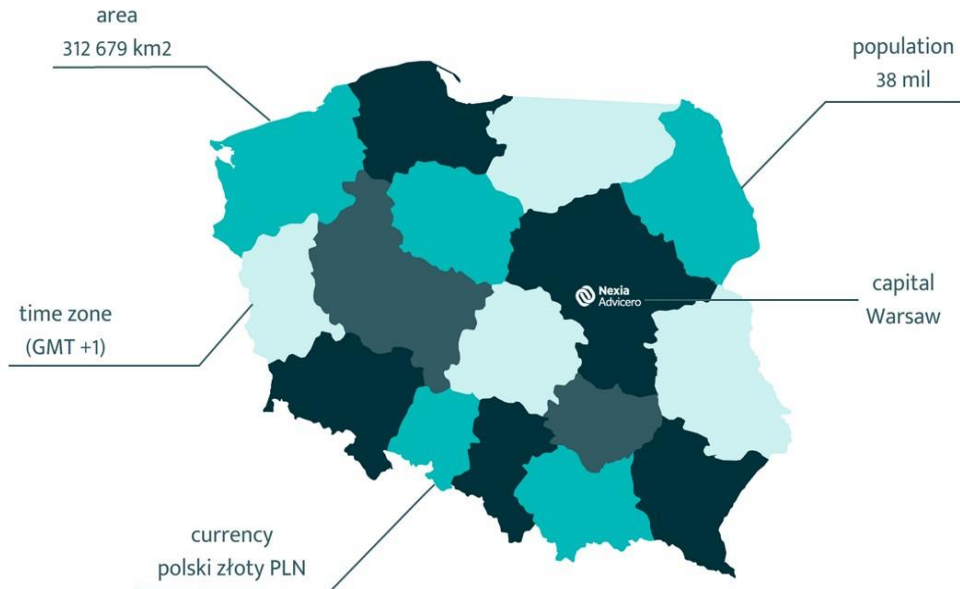
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- Supervision over the keeping of accounting books, preparation of financial statements and other reports,
- Servicing of tax audits and audits



# Introducing Poland

## Poland in figures



## Political system

Political system of Poland is a parliamentary representative democratic republic. There is multi-party system in which Prime Minister is the head of government and President is the head of state. Executive power is exercised by the President and the government, which consists of a council of ministers led by the Prime Minister. Members of government are chosen by the majority formed in the parliament (Sejm). However it is not the rule and many exceptions are known by history. Formally, the government is announced by the President and must obtain 'vote of confidence' in Sejm within two weeks.

Legislative power is vested in two chambers of parliament (Sejm and Senate). Members of Sejm are elected by proportional representation. As a rule, parliamentary elections occur every four years.

## Legal system

The Polish law is composed of private and public law which are codified. Supreme law is the Constitution of Poland. Polish law is created by the Polish parliament.

Polish public and private laws are divided into various areas, including, for example:



### Language

Official language of Poland is Polish, although there are other regional languages, such as Kashubian, which are strongly similar to Polish.

### Economy

Poland is the sixth-largest economy in the UE and the largest economy among the ex-communist members of the European Union.

Almost 40 million consumers and more than 10 million entrepreneurs provide significant investment and sales opportunities. At the same time, significant infrastructural investments and the ongoing development of the economy mean that there are many business areas to be developed.



Foreign trade turnover in January - October 2023 in exports at current prices amounted to PLN 1 349.8 bn, while in imports - PLN 1 301.2 bn. The positive balance reached the level of PLN 48.6 bn, while in the same period of 2022 year was negative and amounted to PLN 78.8 bn. In comparison to the corresponding period of last year exports increased by 1,2 %, while imports decreased by 7,9 %.

### Business hours

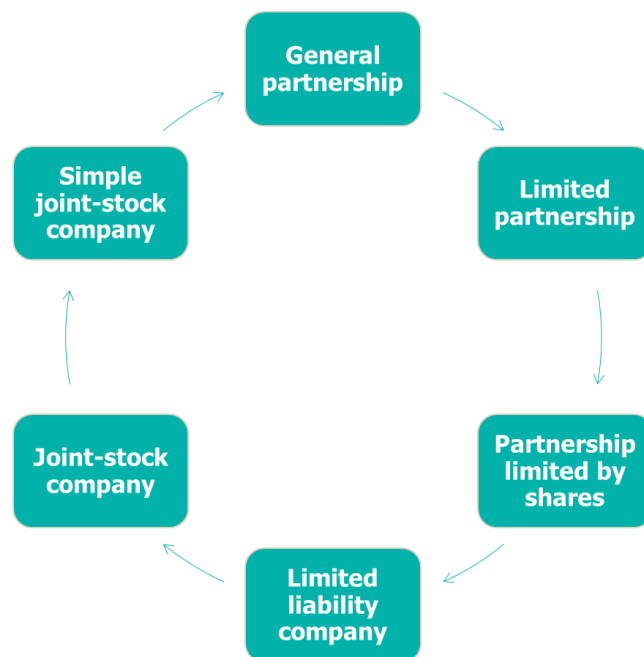
The usual business working day in Poland is an 8-hour day, which results in 40 hours per week. These general rules are provided by Polish Labour Law.



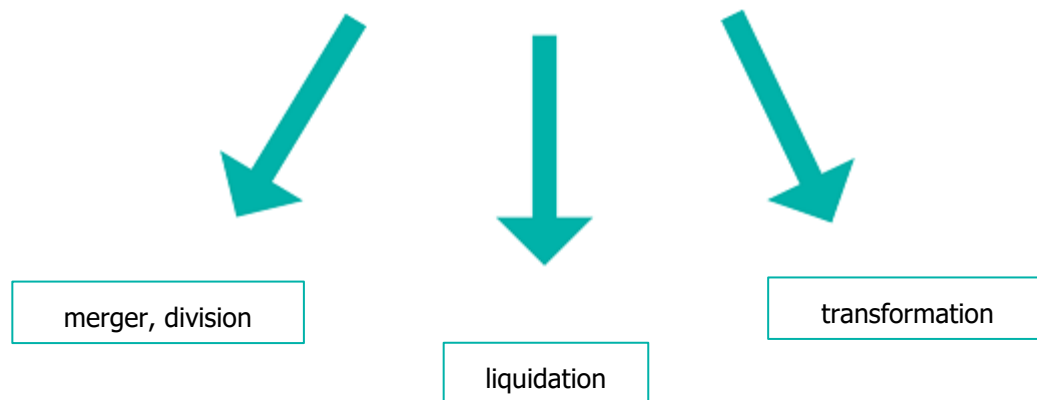
# Business Entities

According to the Polish Law (Polish Code of Commercial Companies) the pursuit of an economic activity by entrepreneurs can be performed in the form of entities, which in most cases can be identified as one of the following categories:

- **General partnership:** two or more partners, unlimited liability of partners,
- **Limited partnership:** two categories of partners – a limited partner, responsible for liabilities up to the amount stated in the partnership agreement, and a general partner with unlimited liability,
- **Partnership limited by shares:** two categories of partners – a shareholder and a general partner (unlimited liability), share capital of at least PLN 50,000,
- **Limited liability company:** share capital of at least PLN 5,000,
- **Joint-stock company:** share capital of at least PLN 100,000,
- **Simple Joint-stock company (PSA):** one or more partners, the share capital of a PSA, which must be paid upon its incorporation, is at least 1 PLN. It may be covered by contributions monetary or non-monetary.



The Polish Code of Commercial Companies regulates in detail such restructuring operations as:



### **Main types of business activity in Poland**

Polish law provides for freedom of business activity for every entrepreneur, which means that everyone has an equal right to choose relevant type of business activity that suits their interests.

The most common types of business activity are commercial companies, in particular the limited liability company (about 80% of all entities) and general partnership.



### **General partnership**

Preferred form for micro and small businesses conducted by at least two entities. Basic form of business activity in Poland, type of commercial partnership.

It has no legal personality, although it has legal capacity (which means a right to acquire rights and incur obligations on its own behalf) and judicial and procedural capacity. What is important, general partnership has no minimal capital required. Partnership shall be founded by at least two: (i) natural persons, (ii) legal persons, (iii) organisations without legal personality to which the applicable laws have granted legal capacity.



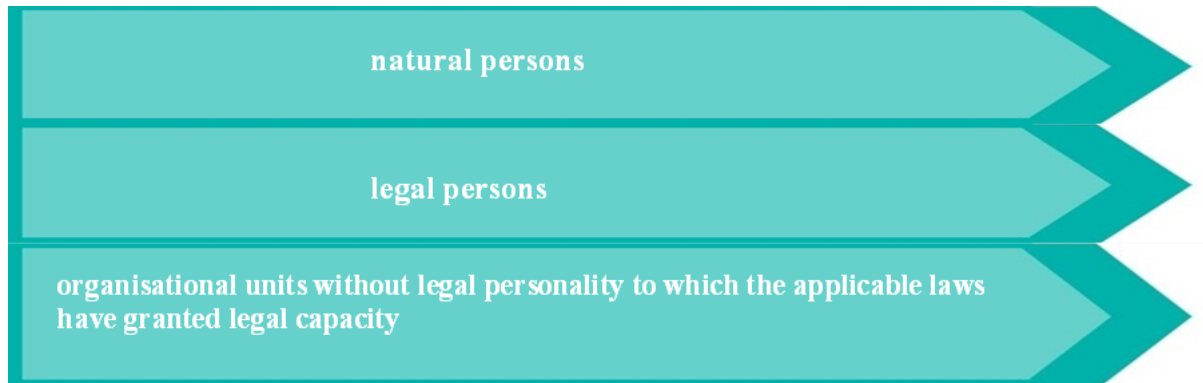
These partners may contribute property, rights or services to partnership as its own capital. Each partner may represent the partnership individually (unless the articles of association provide different rules of representation). The main disadvantage of a general partnership is the liability of the partners – if the partnership is unable to pay its obligations, the partners bear unlimited liability (i.e. including private assets) for these liabilities.

From January 1<sup>st</sup> 2021 the general partnership is a taxpayer of corporate income tax (19% or 9% for so-called small taxpayers or some taxpayers starting their activity). In their case, however, it does not happen automatically, but may result from failure to meet the statutory conditions.

### Limited liability company (LLC)

A commercial company preferred for entities or individuals who wish to exclude their liability for company's obligations. One of the most popular forms of business activity in Poland.

It has legal personality, may be established by one or more entities among:



LLC articles of associations must be prepared in the form of a notarial deed. The minimal share capital of a Polish LLC is PLN 5,000, and cannot be contributed by non-transferable right to perform work or provide services.

LLC shall be obliged to establish a management board and optionally a supervision body (obligatory only if the number of shareholders exceeds 25 and the share capital exceeds PLN 500,000).

Shareholders do not bear any liability for the company's obligations. Their risk is limited to assets contributed to the company.

The company is a taxpayer of corporate income tax (19% or 9% for so-called small taxpayers or some taxpayers starting their activity).

### Joint-stock company

Preferred type of business activity for companies with many shareholders, suitable for large scale businesses. Obligatory form for banks, insurance companies and general pension societies.

It has legal personality, may be established by one or more entities among: (i) natural persons, (ii) legal persons, (iii) organisational units without legal personality to which the applicable laws have granted legal capacity.



Joint-stock company's articles of associations must be prepared in the form of a notarial deed. The minimal share capital is PLN 100,000 and cannot be contributed by non-transferable right to perform work or provide services.

There are two types of shares: registered shares and bearer shares. The bearer shares certificates may not be issued before full payment is made, registered shares may be issued before full payment. There are differences in ability to dispose each type of share.

Joint-stock company is obliged to establish both a management board and a supervision body.

Shareholders do not bear any liability for the company's obligations – their risk is limited to assets contributed to the company.

The company is a taxpayer of corporate income tax (19% or 9% for so-called small taxpayers or some taxpayers starting their activity).

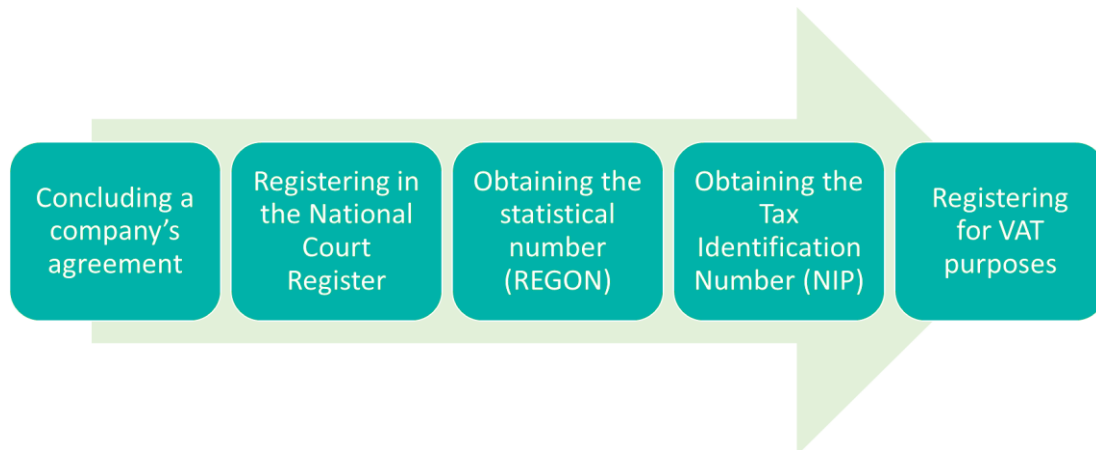
### **Simple joint-stock company**

In PSA (effective from 1<sup>st</sup> July 2021) the requirements for establishing and running a company have been reduced to a minimum:

- No formal and financial barriers at the start – a share capital of PLN 1 is sufficient and the company can be established in the S24 system (online company registration in 24 hours),
- Share capital is created instead of share capital in a PSA – shares are not part of it and have no nominal value,
- Shares can be acquired for work or services, retaining key influence on decisions in the company,
- PSA shares are subject to mandatory dematerialisation in the company's simplified shareholder register. The register may be maintained by an investment firm or a notary, among others, including using blockchain. A PSA does not have the obligations of a public company (PSA shares are not subject to organised trading),
- Electronic communication can be used extensively to adopt resolutions or hold meetings (e.g. videoconferencing), which facilitates decision-making processes,
- A one-person board of directors is sufficient, there is no obligation to create a supervisory board; and a single body combining management and supervision, the board of directors, may be created,
- Simplified liquidation of the PSA has been provided for (shortened deadlines for "classic" liquidation and the possibility of removing the company from the National Court Register without liquidation, through the takeover of its assets by a shareholder, with the obligation to satisfy the remaining shareholders and creditors).

# Company formation and administration

## Forming a company



To form a company, businesses need to face some bureaucratic and legal steps. Two alternative procedures are available for registering a company in Poland:

### **A. Standard procedure**

First, an entrepreneur shall conclude company's articles of association and then sign it before a notary. The next step in the company's formation is registration in the National Court Register (NCR), which follows after submitting the relevant forms to the court.

### **B. 24-hour procedure**

The company is registered online, using standardised Articles of Association. Within 24 hours NCR is supposed to confirm the registration of a company, indicating its registration number.

At the time of registration in the NCR the company is granted a statistical number (REGON) and a tax identification number (NIP).

The company must register for VAT by the date on which it carries out VAT-covered business activities for the first time. The registration is effected before the competent tax authorities.

As of 1<sup>st</sup> July 2021, the company registration procedure has become fully electronic. Regardless of how the company is established, the application for its registration shall be submitted online - either through the S24 system or through the Court Register Portal. Each application for registration of a company (as well as any changes subject to registration with the NCR) will have to be submitted via the new PRS ICT system – Court Register Portal. Both the application itself as well as the documents that need to be attached to it are obligatorily submitted via the Internet.

# Financial reporting and audit requirements

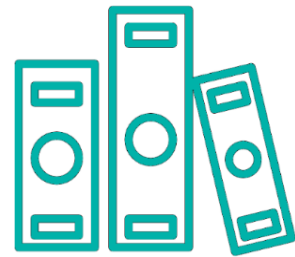
## Reporting and audit requirements

Reporting and audit requirements

Polish accounting principles are regulated by the Accounting Act dated 29 September 1994.

The Accounting Act regulates:

- principles of maintaining accounting books,
- timing and procedures related to stock taking,
- valuation of assets and liabilities and determination of a financial result,
- business combinations,
- consolidation procedures,
- auditing and publishing financial statements,
- protection requirements,
- financial statements formats.



Specific accounting areas such as financial instruments, consolidation of financial statements, accounting for banks, insurance companies, investment funds and pension funds are additionally regulated by regulations issued by the competent minister. Moreover, the Polish Accounting Standards Committee has been established to prepare and issue the National Accounting Standards.

The Accounting Act's rules are binding for the following entities that have their registered office or place of management in Poland:

- commercial companies,
- natural persons, civil and general partnerships of natural persons as well as professional partnerships, if their net revenue from sale of goods, products and financial operations for the preceding financial year amounted to at least the equivalent in Polish currency of EUR 2,000,000,
- entities operating under: Polish Banking Law, regulations on trading in securities, regulations on investment funds and management of alternative investment funds, regulations on insurance and reinsurance, regulations on credit unions and/or regulations on the organisation and operation of pension funds, regardless of their revenue,
- communes, districts, provinces and their associations, as well as state, communal, district and provincial entities such as public sector entities, auxiliary units of public sector entities or public sector organizations,
- unincorporated business units, with the exception of partnerships referred to above,
- branches and representative offices of foreign businesses as defined by the regulations on the freedom of enterprise,
- entities other than those specified above, if they receive subsidies or grants from the State budget, budgets of local authorities or special purpose funds for performing tasks assigned to



them – from the beginning of a financial year in which those subsidies or grants were awarded.

Polish bookkeeping rules do not differ significantly from those commonly adopted worldwide (entries have to be documented, are made on a double entry basis, chronologically and mainly on a historic cost basis). Since 2002 the Accounting Act has been undergoing significant changes to bring Polish accounting practices closer to the International Financial Reporting Standards (IFRS). However, due to many changes in IFRS, differences continue to exist between the Accounting Act and IFRS. In areas unregulated by the Accounting Act or National Standards, reference may be made to IFRS.

Accounting books should be kept and financial statements prepared, as a rule, in the Polish language and expressed in the Polish currency. Each entity is obliged to maintain accounting books and other documentation which, in particular, contains a description of the entity's accounting principles and rules for keeping subsidiary ledgers and their link to general ledger accounts.

The management board is responsible for fulfilment of accounting obligations specified in the Accounting Act, including a supervisory obligation, even if certain accounting obligations have been delegated to another person.

All entities governed by the Accounting Act are obliged to prepare financial statements for each financial year (not necessary the calendar year). The annual financial statements comprise of a balance sheet, income statement, notes to financial statements (including an introduction to the financial statements and additional notes). Financial statements which are subject to an audit, include also a statement of changes in equity and a cash flow statement.

In addition to the financial statements, some entities (among others joint-stock companies, limited liability companies, insurance companies, co-operatives and state-owned companies) are obliged to prepare a management board report on the company's activities commenting on, inter alia, financial and economic situation of the company.



In Poland it is allowed, and in some cases required, that IFRS should be used as the reporting framework. The obligation to prepare consolidated financial statements in compliance with IFRS has been imposed on banks and entities allowed to trade in the regulated markets of EEA countries. The following entities, in turn, have the possibility of drawing up standards compliant with the IFRS: entities that applied for permission to list on a regulated market in Poland or other EEA country, entities that are part of a group where the parent entity prepares consolidated financial statements for statutory purposes in accordance with IFRS, subsidiaries of a foreign entity if this entity compiles financial statements based on IFRS.

Polish statutory audit requirements apply to all annual consolidated statements and to the annual standalone financial statements of the following entities that operate as a going concern, among others:

- banks, insurance companies, investments and pension funds joint-stock companies,
- other entities that meet at least two of the following three thresholds in a financial year preceding the financial year for which the financial statements were drawn up:
  - average annual number of employees, by full-time equivalents, reached or exceeded 50 people,
  - total assets as at the end of the financial year reached or exceeded the Polish currency equivalent of EUR 2,500,000,
  - net sales of products and goods for resale, plus income on financial transactions for the financial year reached or exceeded the Polish currency equivalent of EUR 5,000,000.

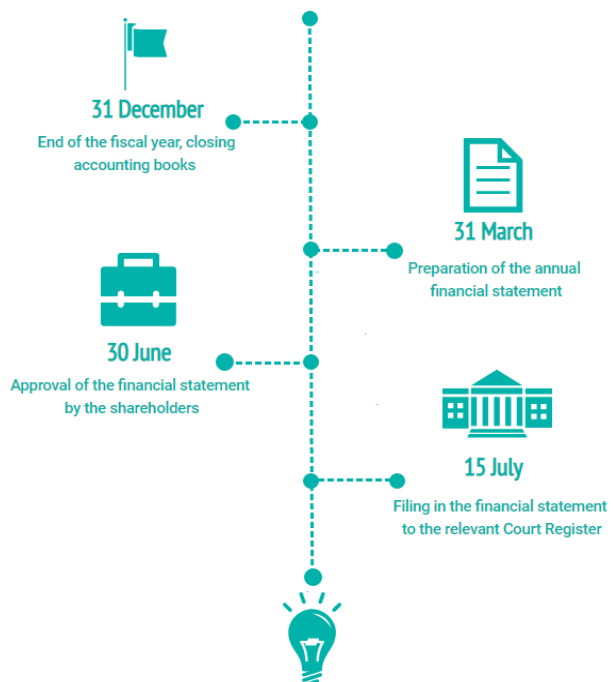
Financial statements prepared in accordance with IFRS are subject to mandatory audit. The statutory audit requirements also apply to entities after merger for the year when the merger occurred.

The audit of statutory financial statements is conducted in compliance with the Chapter 7 of the Accounting Act, Auditors Act and the national auditing standards issued by the Polish Assembly of Statutory Auditors (PIBR). In Poland, a list of statutory auditors authorized to sign auditor's opinions and reports, as well as subjects authorized to conduct audits, is kept by the PIBR.

### Reporting deadlines

Annual financial statements shall be prepared within three months from the balance sheet date and approved by shareholders within six months following the end of the financial year. Due to the epi-demic state, the above deadlines have been prolonged: financial statements shall be prepared within six months from the balance sheet date and approved by shareholders within nine months following the end of the financial year.

The approved financial statements shall be filed with the relevant National Court Register within 15 days from the approval date. Non-compliance with the above deadlines is penalised.



### Central register of beneficial owners (CRBR)

"Central Register of beneficial owners" is a system in which information on actual beneficiaries, i.e. natural persons exercising direct or indirect control over a company, is collected and processed.

Beneficial owner of a company is an individual:

- exercising direct or indirect control over the company through its powers, which arise from legal or factual circumstances, enabling it to exercise decisive influence over the company's activities or assets, or
- on behalf of whom economic relationships are being established or an occasional transaction is carried out.

In the register, data is collected on the beneficiaries of following companies: general partnerships, limited partnerships, partnerships limited by shares, limited liability companies, stock corporations.

Entities subject to registration with the CRBR from 31<sup>st</sup> October 2021, in addition to commercial companies, will also be:

- associations subject to registration in the National Court Register,
- foundations,
- partnerships,
- cooperatives,
- trusts whose trustees or persons in equivalent positions have their domicile or registered office in Poland, or establish business relations or acquire real estate in the territory of the Republic of Poland in the name or on behalf of the trust,
- European economic interest groupings,
- European companies,
- European cooperatives.

The legislator has provided for a three-month transitional period during which existing entities will be able to make their notifications. The deadline for filing notifications with the CRBR under the amendments is 31<sup>st</sup> January 2022.

From 31<sup>st</sup> October 2021, beneficial owners are obliged to provide the entity obliged to notify the data to the CRBR with all information and documents about the beneficial owner necessary for the notification. The transmission of information should take place in time to update the data in accordance with the statutory requirements. Beneficiary who fails to fulfil this obligation, as a result of which the notification is not made within 7 days from the date of entry in the National Court Register, and in the case of changes whose effectiveness does not require an entry in the National Court Register - within 7 days from the date of their making, or contains information inconsistent with the facts, shall be subject to a fine of up to PLN 50,000.

Additionally, after 31<sup>st</sup> October 2021, entities already entered in the Register had to update the reported data and indicate all nationalities held by their beneficial owners.

### **Obligation to publish a tax strategy**

From 2021, it has been made obligatory for some entities, with revenues of more than €50 million, as well as for tax capital groups, to publish their tax strategies.

The scope of information to be included in a published tax strategy covers the following:

- approach to processes and procedures for managing the performance of obligations, arising from tax regulations and ensuring their proper performance,
- voluntary forms of cooperation with KAS,
- performance of tax obligations in the territory of the Republic of Poland,
- number of information reported on tax schemes (MDR),
- transactions with related parties with value exceeding 5% of total assets,
- settlements in countries applying harmful tax competition,
- restructuring activities planned or undertaken by a taxpayer,
- filed applications for tax interpretation, binding rate information or binding excise information.

The deadline for publishing expires within 12 months from the end of a tax year.

### **Central register of Excise Operators**

From 1<sup>st</sup> February, 2021, existing registers of excise entities kept by heads of tax offices were replaced by the Central Register of Excise Entities (CRPA). This means the abandonment of paper registration declarations and greater security in the economic turnover of excise goods. The amendment allows traders to check whether their counterparties involved in dispatch and receipt of excise goods are registered and thus reduce the risk of working with a dishonest business partner.

Excise entities obliged to register in the CRPA system are entities conducting economic activity, intending to:

- carry out activities subject to excise duty - the registration must take place before the date of carrying out the first such activity,
- carry out activities using excise goods which are exempt from excise duty due to their intended use - the registration must be made before the date of the first activity involving the usage of these goods,
- take up activities using excise goods listed in Appendix 2 to the Act, taxed at a zero excise rate due to their intended use - the registration in such a situation must be made before the date of the first activity involving the usage of these goods,
- make intra-Community acquisitions of ethyl alcohol completely denatured with a denaturant authorised in all Member States of the European Union or with additional denaturants authorised by the Member State of the European Union where the denaturing takes place, on the basis of Commission Regulation (EC) No 3199/93 of 22 November 1993 on the mutual recognition of procedures for the complete denaturing of alcohol for the purposes of exemption from excise duty - the registration in these circumstances must take place before the date of the first intra-Community acquisition of such alcohol.

### **Mandatory Disclosure Rules (MDR)**

MDR is a form of information provided to the head of KAS (National Tax Administration) on planned activities that may contribute to tax optimisation, and includes data of the transferor and user, description of a tax scheme, applied tax law provisions, as well as the expected amount of tax benefit. This information is transferred through electronic logical structures provided by the Ministry of Finance, while the reported schemes receive the NSP reference number (tax scheme number).

The purpose of reporting tax schemes (MDR) is also to increase the effectiveness of combating unfair taxpayers, eliminating the so-called aggressive tax optimisation.

All tax schemes, both domestic and cross-border, are subject to reporting, whereas a tax scheme is understood as an arrangement which:

- meets the main benefit criterion and has a general hallmark,
- has a special hallmark, or
- has other special hallmark.

Polish MDR regulations are generally in line with the EU DAC6 Directive, although they provide for a wider scope of events subject to MDR reporting.

The reporting obligation was suspended during the pandemic, but is again in force as of end of July. Taxpayers need to file reports for the whole period of suspension.

# Company Taxation

## Resident companies

Taxation of companies is regulated by the Act on Corporate Income Tax ("CIT"). CIT applies to all legal entities, including:

- companies (limited liability, joint stock companies),
- companies in organisation,
- entities with no legal personality (with the exception of partnership – please see below),
- foreign entities with no legal personality, provided that they are treated as companies and are subject to unlimited tax liability in their home countries,
- Polish limited joint-stock partnerships as well as limited partnerships and some general partnerships.

## Tax Capital Group

The tax capital group (PGK) is an institution of tax law, created on the basis of the Corporate Income Tax Act. One of the companies in the group, the so-called parent company, must have a direct 75% share in the share capital of other companies (so-called subsidiaries). The companies forming a tax capital group are jointly and severally liable for its income tax liabilities due for the duration of the contract. Transactions taking place between companies that are part of a tax capital group are not subject to transfer pricing regulations.

The average share capital of each PGK's company must not be less than PLN 250,000. Restructuring operations are allowed in PGK (merger, division, transformation).

PGK will be obliged to verify transactions with related or unrelated entities, if the beneficial owner has its place of residence, seat or management board in a tax haven and the total value of the transaction exceeds PLN 500,000.

From 1<sup>st</sup> January 2022 the possibility of accounting for losses of companies forming PGK, incurred before the formation of PGK has been introduced, if the conditions stipulated in the law are met. The income from the source of revenues of PGK will be reduced by the loss from that source of revenues incurred by the companies forming PGK before its establishment, if:

- the loss would have been deductible from the income of that company had it not been part of PGK;
- would have been incurred no earlier than in the fifth tax year preceding the tax year of the PGK for which the reduction would be made;
- the loss was not deducted from the income of the company forming the PGK;
- the company earned income in the tax year for which the reduction is made from the source of income from which the loss was incurred.

## Residents vs. non-residents

As a general rule, Polish CIT must be calculated on:

- revenues gained anywhere in the world – for taxpayers who have their seat or management in Poland (tax residents),
- revenues gained on the Polish territory – for all other taxpayers (being non-residents).

From 1<sup>st</sup> January 2022, definition of having a management board in the territory of Poland, conditioning the status of a Polish tax resident has been clarified. The existence of management board in the territory of the Republic of Poland and thus Polish tax residency will be evidenced by, inter alia, conducting in the territory of Poland in an organised and continuous manner the current affairs of this taxpayer on the basis of, in particular:

- an agreement, a decision, a court ruling or any other document regulating the establishment or functioning of that taxpayer, or
- powers of attorney granted, or
- relationships within the meaning of Article 11a (1) (5).

## Tax year and reporting

A tax year is equal to the calendar year, unless determined differently in the articles of association of a taxpayer and duly announced to the competent tax authority.

CIT is calculated in annual periods. The annual CIT return shall be filed until the end of a third month following the end of the tax year. In the course of the tax year CIT advances are due, monthly or quarterly.



## Tax rate and taxable basis

There are two different CIT rates foreseen for CIT taxpayers: 19% and 9% (the latter applies to the so called 'small entities' or some entities beginning their activity). The amount determining the status of a small taxpayer (small entities, i.e. the revenue limit for the previous year) is EUR 2 million.

Penalty tax rate may be applied in certain situations for profit adjustment in relation to transactions concluded with related parties (transfer pricing).

Other rates may apply to non-residents or under double taxation treaties.

Taxable incomes (calculated separately for capital gains and other income) are determined as a difference between taxable revenues and tax-deductible costs for each source. Expenses are tax-deductible if they are related to earning (securing, sustaining) taxable revenues, exceptions to this rule apply (e.g. there are restrictions on deductibility of expenses paid to related parties for intangible services and use of trademarks).

What is more, tax relief for so-called "bad debts" is available, previously known only from the VAT Act. If the purchaser fails to pay an invoice within 90 days of the agreed payment date, he will have to

increase his income which leads to higher tax. On the other hand, the creditor may take advantage of the bad debt relief and reduce the tax base by his claim.

### **Flat rate on income of capital companies**

Flat rate on income of capital companies – was introduced in Poland on 1<sup>st</sup> January 2021. The amount of tax paid under flat rate on income is: 10% (for small taxpayers and a taxable person starting a business) and 20% (for other taxpayers). In special cases, the flat tax rate may be reduced by 5% (if the taxpayer has made larger investments). Also, reduction of income tax due is foreseen with regard to distribution of profit from entities subject to flat rate on income taxation.

In order to apply for flat rate on income of capital companies, some conditions must be met, including:

- only individuals as shareholders, no underlying participation in other entities,
- minimal employment of 3 full-time jobs,
- specific legal form – limited liability company, joint-stock company, simple joint-stock company, partnership limited by shares and limited partnership.

### **Capital gains and other income**

Incomes are divided into two separate sources: capital gains and other (ordinary) incomes. This means, in particular, that if a taxpayer generates ordinary income as well as a capital gains loss, tax will need to be paid on the income, while the loss may be deducted in the future tax years from the capital gains incomes.

The CIT Act lists items that should be included in capital gains: dividends, dividend-like incomes, incomes from sale of shares/stock and a number of other, generally non-operating incomes.

### **Interest deduction**

According to Polish income tax regulations only interest paid or capitalised can be deducted for tax purposes. Conversely accrued interest does not constitute tax deductible cost.

In the case where interest is related to acquisition or construction of fixed assets, such interest accrued before the date of putting the fixed asset into use can be deducted through depreciation write-offs.

Pursuant to 'thin capitalisation' restrictions interest (and other costs of external financing) should be treated as non-deductible in the part in which the excess of financing costs exceeds 30% of the difference between the sum of revenues from all sources (decreased by interest revenues) and sum of tax deductible costs or PLN 3 million, whichever are higher. The thin capitalisation rules cover financial costs paid to related- as well as unrelated parties.



It does not apply to financial institutions. Costs non-deductible under the above rules in a given tax year may be deducted in any of the following 5 tax years (provided that the above rules are met in these future years).



As from 1<sup>st</sup> January 2022, there is exclusion of entire costs of debt financing from a related party – the part allocated directly/indirectly to capital transactions. In particular, this is to apply if the aim of granting of the loan (non-exhaustive catalogue):

- purchase or acquisition of shares,
- purchase all rights and obligations in a company that is not a legal person,
- making additional contributions,
- increasing share capital, or
- repurchasing own shares in order to redeem them.

Above means that interest on financing obtained in previous years is not tax deductible as long as financing was used for equity transactions = no reduction in tax base = reduced profitability of some ventures.

### Capital assets

Costs related to acquisition or construction of any fixed asset are to be capitalised into the initial value of a fixed asset and to be deducted through depreciation write-offs.

A “fixed asset” is an asset with initial value of more than PLN 10,000 and expected useful life of 1 year or more. Applicable depreciation rates depend on the type of asset. In the table below we indicate some examples of depreciation rates.

Type of asset	Depreciation rate p.a. (%)	Depreciation period
buildings	2.5	40 years
office equipment	14	86 months
computers	30	40 months
motor vehicles	20	5 years
plant and machinery	7 to 20	5 to 14 years
intangibles	20	5 years

### Double taxation relief

Poland concluded Conventions on Avoidance of Double Taxation (so called Double Taxation Treaties, DTT) with approx. 90 countries over the world.

DTT provide for rules for determination of the extent of taxation in the case of income sourced in one state, received by a resident of the other state. In particular, DTT are applicable to income taxes (Polish Corporate Income Tax and Personal Income Tax).

For example, the DTT concluded between Poland and Germany provides for the following withholding tax rules with respect to dividends, interest and royalties:

- 5% on dividends paid to companies, with at least 10% of participation,
- 15% on dividend paid to other entities,
- 5% on interest,



- WHT exemption exemplary on interest paid by or for benefit of a government, also on interest paid with regard to a credit granted by banks,
- 5% on royalties.

In addition, Poland is a party to Multilateral Instrument to Modify Bilateral Tax Treaties (MLI). MLI modify such areas as withholding taxes (e.g. dividend payment), real estate clause, Principal Purpose Test, Mutual Agreement Procedure, limitation of benefits, restrictions on use of hybrid structures, switch-over clause.

As of 1<sup>st</sup> January 2019 some conventions concluded by Poland have already been changed (in whole or only to some extent) and more changes may occur during the year and in the future as more countries participate in the MLI.

### **Withholding tax**

Dividend distributions are generally subject to 19% withholding tax levied on the gross distribution amount, unless a DTT provides otherwise or exemption resulting from the EU Parent-Subsidiary Directive is applicable.

Payments of interest and royalties to foreign companies are subject to 20% withholding tax unless a DTT provides otherwise or exemption resulting from EU Interest-Royalty Directive is applicable.

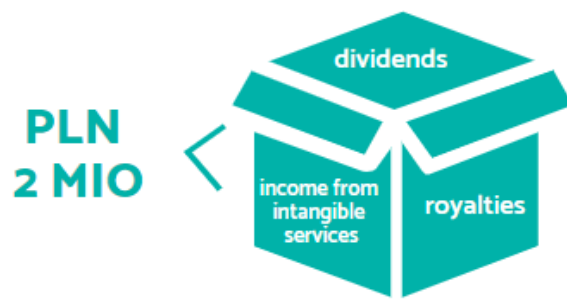
Also the 20% withholding tax rate applies to fees paid for certain intangible services (e.g. advisory, accounting, market research, legal assistance, advertising, management and control, data processing, employees recruitment and personnel obtaining services, guarantees and suretyships and other similar services), unless the relevant DTT provides otherwise. Under most DTTs such payments are treated as business income taxable in the taxpayer's country of residence and hence not taxable in Poland, unless attributable to a permanent establishment in Poland.

Starting from July 2019 modified rules of collecting WHT apply. In case of payments exceeding PLN 2 million in a given tax year (to a given contractor), the application of WHT exemption or reduced rates is either not possible at all, or is conditioned upon meeting additional specific requirements. (these provisions [modified - see below] apply from 1<sup>st</sup> January 2022).

From 1<sup>st</sup> January 2019, a statutory obligation of due diligence was imposed on payers when collecting WHT and when analysing the possibility of applying statutory exemption or reduced WHT rate. The due diligence declaration of a payer is also a part of a written declaration submitted to a tax authority, on the basis of which a taxpayer may apply statutory tax exemption or reduced WHT rate resulting from a double taxation agreement.

From 1<sup>st</sup> January 2022, the "pay the refund" procedure was narrowed down to:

- related parties,
- payments of interest/royalties/dividends (exclusion of intangible services),
- payments which without sound economic reasons do not qualify as receivables from the above,
- payments made between Polish taxpayers are excluded.



Another change concerns the opinion on the application of preferences:

- for payments of interest/royalties/dividends of more than PLN 2 million during the year,
- applies also to preferential rates or exemptions resulting from double taxation treaties,
- conditions for refusal of issuance - no reference to actual economic activity from Article 24a Section 18 of the CIT Act.

The provisions of the Polish Order have also changed the definition of a beneficial owner:

- when assessing whether an entity conducts actual economic activity, the nature and scale of activity conducted by this entity with respect to the receivable received shall be taken into account.
- eliminated the reference of the provision relating to the assessment of whether a foreign controlled entity is conducting a real business. In its place, it has been indicated that the nature and scale of the entity's activities with respect to the receivable received shall be taken into account in assessing whether the entity is engaged in actual economic activity.

Opinion on the application of preferences:

- in case of payments of interest/ royalties/dividends for the amount of more than PLN 2 million within a year,
- also applies to preferential rates or exemptions based on double taxation treaty (DTT) agreements,
- Conditions for refusal of issuance – no reference to previous economic activity from Article 24a Section 18 of the CIT Act regarding Controlled Foreign Company.

### **Minimum income tax**

The new tax will apply to corporate income tax taxpayers (including the Polish tax capital groups), either whose share of income in revenues (other than from capital gains) will be less than 1%, or which will incur a loss for a tax year, and shall equal to 10% of the tax base.

Tax base:

- value of 4% of revenue from the operating income,
- the value of debt financing costs incurred for the benefit of related parties (more than 30% of EBITDA),
- deferred income tax resulting from the disclosure in tax settlements of hitherto non-depreciable intangible assets resulting in an increase in gross profit/reduction in net loss,

- the value of the costs of acquisition of specific services or intangible rights incurred for the benefit of related parties (entities from a country or territory applying harmful tax competition) (more than 5% of EBITDA + PLN 3 million).

There are also subjective exemptions and tax deductions indicated in the CIT Act.

### **Profit shifting**

Profit shifting is an additional taxation of 19% CIT which is levied on certain costs (e.g. for certain intangible services, royalties, debt financing costs).

Changes from 2023:

- Only costs incurred directly or indirectly for the benefit of a related entity of the company, representing a receivable of this entity, which have been included in deductible expenses in the tax year, will be considered as pass-through income.
- Clarification – the related entity to which the costs are incurred may only be a tax-payer who does not have a registered office or management in Poland.
- Clarification – the premise of “preferential taxation” of a related party, i.e. indicating that, in compliance with the tax laws in force in the country of the related party’s registered office, management, registration or location, such income (revenue) of the taxpayer’s related party derived from passive costs is to:
  - be subject to taxation at an income tax rate of less than 14.25%, or
  - be subject to exemption or exclusion from such tax.
- Specifying that the related party must derive at least 50% of its total passive income from the taxpayer or other companies related to the taxpayer that are Polish tax residents.
- New tax conditions – it will be required that the related entity to which expenses are incurred, transferred at least 10% of passive income to another entity in cases specified in the law.
- The tax rate (19%) and the type of costs [expenses for intangible services (consulting, market research, advertising, management and control, data processing, insurance, guarantees and warranties, and services of a similar nature); all kinds of fees and charges for licenses, copyrights and industrial property rights; costs of transferring the debtor’s risk of insolvency for loans other than those granted by and benefits of a similar nature; costs of debt financing, fees and remuneration for the transfer of functions, assets and risks] will not be changed.

### **Use of tax losses**

Tax losses can be carried forward and deducted from income of the source in which the loss arose within five consecutive tax years. In a given tax year, as a rule, no more than 50% of a tax loss of a given year can be used, although it is also allowed to deduct in one year, at once, up to PLN 5 million of a tax loss. No carry back of losses is possible. Tax losses get forfeited in case an entity is taken over or divided, also if an entity is transformed (apart from transformation of an LLC into a joint-stock company or vice versa).

In addition, the pandemic sourced losses shall be deductible within carry back mechanism, from income earned in the preceding year.

### General anti-avoidance provision

The Polish tax regulations provide for a general anti-avoidance clause. According to these rules, GAAR applies in case of an activity performed in an artificial way or for the purpose of achieving tax benefit, which was inconsistent with the subject or purpose of applicable tax law. In addition, tax advantage is defined as:

- avoidance, postponement or decrease in tax liability,
- creation or over-declaration of tax loss,
- creation or over-declaration of tax overpayment or right to tax deduction,
- no obligation to collect tax by the tax remitter (since 2019).

To determine if a given activity is artificial it should be considered if – based on existing circumstances – one could assume that it would not have been performed by a person/entity acting reasonably and being guided by lawful objectives other than deriving a tax benefit at variance with the subject matter and purpose of a given rule of a tax act. The following elements should be taken into consideration for purpose of assessing artificiality of a given action:

- unjustified division of transactions,
- engaging of intermediary entities despite lack of either economic or business grounds,
- elements resulting in state identical (or similar) to the state existing before performing a given act,
- elements mutually ineffective or compensating each other, or
- economic risk exceeding the expected benefits other than the tax benefits to such a degree that it shall be deemed that a person/entity acting reasonably would not choose this way of action,
- occurrence of an economic risk exceeding the expected non-taxable benefits, to the extent that the reasonably acting entity would not choose that method of action,
- occurrence of a situation in which the achieved tax advantage is not reflected in the economic risk or cash flows incurred by the entity,
- pre-tax profit that is insignificant compared to a tax benefit which is not directly attributable to the actual economic loss,
- engaging an entity that does not conduct a real economic activity or does not have a significant economic function.

There are also situations foreseen when the general anti-avoidance clause should not apply, i.e.:

- to an entity which obtained a securing opinion (or the opinion was not issued within the regulation period) – to the extent covered by the opinion, until the day of serving either revocation or amendment of the securing opinion (cost of such an opinion amounts to PLN 20,000 and such an opinion should be issued within 6 months),
- to VAT, as well as fees and non-tax budgetary dues.



As a result of applying the clause the tax authorities are entitled to determine tax consequences as if the appropriate activity was performed, i.e. an activity that could be performed by a person/entity acting reasonably and with lawful purpose in mind other than obtaining tax benefit at variance with the aim and subject matter of a tax rule.

Similar regulations provide also for anti-avoidance rules related to specific transactions e.g. for mergers, divisions or exchange of shares, which are included directly in income tax regulations – so called "small GAAR".

### Transfer pricing

Poland has implemented transfer pricing rules based on arm's length principle (market level of prices applicable). Poland generally follows the OECD's Transfer Pricing Guidelines with respect to the methods to assess profits. The requirements for documentation in the case of transactions with related companies and the penalty regime for transfer pricing adjustments are relatively restrictive.

Additional income assessed as a result of a TP adjustment may be subject to a penalty rate of up to 30%.

The following thresholds obliging to preparation of so-called local files apply: PLN 10 million for transactions concerning tangible assets or financing, and PLN 2 million concerning services or other transactions. However, in the case of transactions carried out with entities located in the so-called tax havens a lower threshold of PLN 100,000 applies.

Exceptions to the obligation to prepare transfer pricing documentation are also introduced. The following transactions, among others, are exempt from this obligation:

- transactions concluded by related entities having their domicile, registered office or being managed in Poland in a given tax year, in which each of these related entities does not benefit from tax exemptions and did not generate tax loss,
- transactions covered by an obtained advance pricing arrangement (APA),
- transactions, which are permanently recognized neither as taxable revenues nor tax deductible costs,
- transactions concluded between companies forming a tax group in Poland.



From 1<sup>st</sup> January 2022, local transfer pricing documentation is not to include a benchmarking or compliance analysis in the following cases:

- the controlled transaction meets the safe harbour conditions for controlled transactions involving low value-added services (current regulation),
- the controlled transaction is entered into by related parties that are micro or small enterprises, and
- the transaction subject to the documentation obligation is not a transaction concluded with so-called tax havens (direct and indirect transactions).
- Transactions are also exempt from the documentation obligation
- between foreign permanent establishments located in Poland, whose parent entities are related parties, and between a foreign permanent establishment located in Poland of a related party that is a non-resident and a related party with tax residency in Poland,
- covered by an investment agreement or tax treaty, for the period to which such agreement relates,
- loan, credit or bond issue – when safe harbour applies for financial transactions.

The obligation to prepare so-called group documentation applies to entities that fulfill following two conditions cumulatively: (i) they are obliged to prepare local files, (ii) they belong to a capital group with an obligation to prepare a consolidated financial statement. The revenue condition (PLN 200 million) has been abolished.

- Elimination of regulations regarding the obligation to document so-called indirect paradise transactions (regulations repealed retroactively – starting in 2021).
- Raising the thresholds for direct paradise transactions:
  - PLN 2,500,000 – in the case of a financial transaction,
  - PLN 500,000 – in the case of a transaction other than a financial transaction.
- Controlled transactions and transactions other than controlled transactions, with an entity domiciled, established or managed in a territory or country practicing harmful tax competition – applying to transactions commenced and not completed before 1<sup>st</sup> January 2021, to the extent of that portion of such transactions that are carried out in a tax year beginning after 31<sup>st</sup> December 2020, or commenced after 31<sup>st</sup> December 2020,
- Controlled transactions and transactions, other than controlled transactions, with a foreign permanent establishment domiciled, established or managed in a territory or country that applies harmful tax competition – applicable to transactions commenced and not completed before 1<sup>st</sup> January 2023, with respect to that part of such transactions that are executed in a tax year beginning after 31<sup>st</sup> December 2022, or commenced after 31<sup>st</sup> December 2022.

### **New innovative reliefs effective from 2022**

- Relief for robotisation

The relief is aimed at entrepreneurs with manufacturing operations who decide to introduce industrial robots in their current work. The following may be considered eligible costs in connection with the investment: purchase of new machinery, intangible assets necessary for their launch and use, and purchase of training services. Under the robotisation allowance, the entrepreneur acquires the right to deduct 50% of the deductible costs incurred in a given year for robotisation.

- Prototype relief

The relief is aimed at entrepreneurs launching a new product on the market. The taxpayer will be able to deduct additional 30% of expenses from the tax base (but not more than 10% of income). The expenses recognised in the scope of trial production and market launch include the purchase of machinery necessary to launch production together with the costs of their improvement and adjustment, the costs of purchasing materials and raw materials, as well as the costs of research, expert opinions, and preparation of documentation necessary to obtain a certificate.

- Expansion tax relief

The tax relief provides for an additional deduction of expenses that are related to the increase of revenues from the sale of products (items manufactured by the taxpayer) to unrelated entities.

Expenditure on expansion will be able to be deducted twice – as a tax-deductible cost and as a relief, but the deduction is limited to the amount of PLN 1 million in a tax year.

The condition for taking advantage of the relief is:

- increase in revenue from the sale of products,

- sale of new products, as well as
- increase in revenue from the sale of products not previously offered on a given market (domestic and foreign),
- The tax-deductible costs will include, inter alia, expenses related to participation in fairs, promotional and information activities, or adaptation of packaging to the requirements of the contracting party.

Similarly, as in the case of the prototype relief, a taxpayer who in a tax year benefits from exemptions within a special economic zone or Polish investment zone, is entitled to a deduction only in respect of costs incurred in order to increase revenues from the sale of products which are not taken into account by the taxpayer in the calculation of income exempted from tax under these exemptions.

- Tax relief for sport / cultural activities / higher education / science

The tax relief will consist of the possibility to deduct 50% of tax-deductible expenses incurred for sports/cultural/ higher education/science activities from the tax base. This means that the taxpayer, in addition to including the costs incurred as tax deductible expenses, including through depreciation write-offs, will be entitled to an additional preference in income tax by deducting half of the costs incurred from the tax base.

- Relief for Initial Public Offering (IPO)

The relief is provided for joint stock companies and relates to expenses for making an initial public offering of shares on a regulated market. The tax base may be reduced by:

- 150% of the expenses for the preparation of the prospectus, notarial, court, stamp and stock exchange fees and the preparation and publication of announcements required by law,
- 50% of expenses, exclusive of VAT, for legal advisory services, including tax and financial advisory services (maximum PLN 50,000).

The IPO relief will be deductible from income after prior deduction of the R&D relief, the prototype relief, the relief for increasing revenue from the sale of new products and the consolidation relief (if applicable to the company).

- Consolidation relief

This relief is provided for CIT taxpayers who simultaneously obtain income other than income from capital gains. The taxpayer, in addition to recognising the expenses as tax deductible costs, will also be able to deduct these expenses from the tax base (the maximum value cannot exceed PLN 250,000). It takes into account expenses for the acquisition of shares in a company that has a legal personality. Eligible acquisition expenses may include, among others: legal services, valuation, preparation of merger plans, audit, taxes.

### **Innovation relief modified from 2022**

- R&D relief

The relief is a tool stimulating an increase of innovativeness of the Polish economy. Funds spent by entrepreneurs on developing a new product or implementing an innovation will be additionally deductible from the tax base by up to 200% in the case of:



- taxpayers with a status of a research and development centre who are micro, small or medium-sized enterprises;
  - taxpayers with a status of a research and development centre, being large entrepreneurs (except for costs connected with patent protection);
  - all taxpayers in the case of eligible costs relating to remuneration of employees engaged in research and development activities.
- IP Box relief

The relief is another solution designed for taxpayers carrying out research and development activities. The relief consists of preferential taxation of income from intellectual property rights that are subject to legal protection (e.g. patent, copyright in computer software) and were created, developed or improved as part of the taxpayer's R&D activity. If a company in Poland produces its own IP (intellectual property right), then the profits from it are taxed at only 5%. The IP Box relief is deducted from the tax base. The relief is available to businesses taxed:

- under the tax scale (PIT-36),
- flat tax (PIT-36L),
- corporate income tax payers (CIT-8).

It should be noted that the provisions of the Polish Order provide for the possibility of simultaneous application of IP Box relief with relief for research and development. The so-called simultaneous IP Box relief, i.e. the possibility of applying two reliefs at the same time, is available to an entrepreneur who commercialises the results of research and development work and derives qualified income from them, as well as incurs qualified costs at the same time.

- Relief for innovative employees

The relief is aimed at entrepreneurs conducting research and development activities who employ workers to produce intellectual property. A taxpayer may reduce the advance payments for income tax paid on the remuneration of employees involved in R&D projects by the value of the amount resulting from the product of the unused deduction for the R&D relief and the tax rate applicable to the taxpayer in the given tax year.

## Tax Rulings

Under the existing regulations of the Polish Tax Code taxpayers are entitled to confirm – by a written interpretation of tax law issued by the Director of a National Revenue Information – a proper understanding of specific provisions of tax law. Individual tax rulings are issued upon written application containing description of the facts of the case or planned transactions, the question and own opinion on the issue. The interpretation remains valid until changed by tax authorities or when the underlying provision of law is changed.

It is also possible to apply for a joint tax ruling by the persons/entities engaged in the same event.



From 1<sup>st</sup> January 2022, there is a new institution, the Investment Arrangement. The Minister of Finance may conclude with an investor an agreement on the tax consequences of an investment planned or commenced in the territory of the Republic of Poland with a value of at least PLN 100 million (PLN 50



million from 2025). The Investment Arrangement is addressed both to investors who are residents of Poland and to foreign entities.

A group of investors, in particular a consortium, company, branch or representative office formed in connection with the investment, will also be able to apply for the Investment Arrangement.

According to the proposed amendments, the Investment Arrangement is to be equivalent to the following administrative acts:

- prior pricing arrangement (unilateral only),
- security opinion,
- binding excise duty information,
- binding rate information,
- individual interpretation.

The Investment Arrangement is to be in force for 5 years from the date of issue. Renegotiations of its content resulting in changes to the agreement will be possible, including extension of its validity period.

### **Controlled Foreign Entities (CFC)**

CFC legislation is in force in Poland. According to these regulations, incomes of a foreign entity (including trusts or foundations) are subject to 19% income tax in Poland – at the level of the Polish resident having specific relation with this entity – in particular if:

- the entity's registered office or a place of management is located in a "black list" country and the Polish resident holds directly or indirectly shares in its capital (or voting rights in a controlling- or decision making body, or shares linked with right to participation in profits), or
- the entity jointly fulfills the following conditions:
  - level of control: a Polish taxpayer holds in it directly or indirectly more than 50% of shares in the capital (or more than 50% of voting rights in a controlling- or decision making body, or more than 50% of shares linked with right to participation in profits),
  - passive income: minimum 33% of revenues of the entity are generated in the given tax year from passive income (such income is defined in the regulations),
    - the amount of actual income tax paid by the entity is at least 25% lower than the corporate income tax that would be due if the entity was a Polish tax resident,
    - An entity/company is not regarded as CFC if it is subject to income tax on its worldwide income in an EU/EEA country, and it carries in this country a real business activity of significance,
    - fulfilling the condition of holding 50% of shares in the capital, voting rights in the bodies or participation in profits/control,
    - exceeding the income calculated according to the formula indicated in the Act, i.e.:  $(b + c + d) \times 20\%$ , [b - the carrying amount of the entity's assets; c - the entity's annual staff costs; d - the accumulated value of depreciation write-offs within the meaning of the provisions on accounting]
    - less than 75% of that entity's revenue is derived from transactions with unrelated parties resident, domiciled, managed, registered or located in the same country as the entity.

# Personal Taxation

## Residents and non-residents

Individuals considered as Polish tax residents are subject to Polish taxation with regard to their world-wide income, regardless of the location of the source of income (unlimited tax liability).

An individual is classified as a Polish tax resident when:

- he/she has in Poland his/her centre of vital or economic interests, or
- resides on the Polish territory for a period longer than 183 days in a given tax year.

Tax residence shall be determined with consideration of the relevant DTT. In situations when one is considered a non-Polish resident, he/she underlies Polish taxation solely with regard to income sourced in Poland (limited tax liability). Polish non-residents (individuals with limited liability for Polish tax) are taxable solely on income received in connection with the performance of duties in Poland or from Polish sources. For those who qualify for limited tax liability, income from board duties (under certain conditions) and Polish civil contracts such as personal services contracts or specific task agreements may be taxed at a flat rate of 20%. In such cases no deductions are available.

## Income tax

Polish employers must withhold tax from their employees' taxable salary and remit it to the tax office by the 20th day of the month following the month of payment. As a rule, the annual tax returns shall be filed individually by the employees, however in certain cases they can opt for filing in the tax return by the tax authorities.

Self-employed individuals and those paid by a foreign entity are personally responsible for paying monthly tax advances, generally by the 20th day of the following month. An annual return disclosing all income sources and showing any additional tax payable must be filed (and the tax due paid) by 30 April of the following year. A separate annual tax return should be filed for capital gains (e.g. on the sale of shares). Married tax resident couples may file joint returns. Their tax liability is then calculated on half of the total income and multiplied by two.

## Personal tax rates

Generally, the income gained by individuals is subject to progressive scale, applicable rates are 12% and 32%.

The tax-free amount is PLN 30,000 from tax for taxpayers calculating tax according to the tax scale (already applied when calculating advance payments for tax by deducting from tax an amount equal to 1/12 of the tax-reducing amount (1/12 of PLN 3,600)),

Whenever income is gained in the course of business activity (i.e. self-employment or participation in partnerships), application of a 19% flat PIT rate may be opted for by filing an application to the competent tax authority within a due deadline.

The solidarity donation is paid by people whose tax revenues for the previous year exceeded PLN 1 million. The tribute is 4 percent from the surplus over PLN 1 million.

Some types of income – capital gains, interest, dividends, income from sale of real estate – are taxed at a flat 19% rate.

Polish non-residents can benefit from 20% flat rate on revenues gained from so called personally exercised activities as well as from management services.

Since 1<sup>st</sup> August 2019, a relief for “young people” has been introduced which completely abolishes taxation for people up to 26 years of age and achieving income from work (i.e. from an employment relationship, cooperative employment relationship, service relationship, outwork relationship, student and graduate internship) and from mandate contracts.

- Relief for pensioners - It is an exemption from PIT up to the amount of PLN 85,528 per year for taxpayers who meet certain legal requirements. To take advantage of this relief, employees do not have to have income from other sources. The so-called PIT-0 for seniors consists in the exemption from personal income tax of certain incomes of taxpayers who - despite reaching the general retirement age - will continue to be professionally active. The relief is available to:
  - women over 60,
  - men over 65.

If they do not receive, despite becoming eligible: an old-age or survivor's pension from the Agricultural Social Insurance Fund (KRUS), an old-age or survivor's pension from the Uniformed Services, an old-age or survivor's pension from the Social Insurance Fund (ZUS), cash benefits in connection with dismissal from permanent service of a uniformed officer, the emolument due to a retired judge or family emolument.

The exemption applies to income from full-time employment (e.g. employment contract, official relationship), from commission agreements concluded with a company, from business activity taxed according to the tax scale, 19% flat tax, 5% rate (the so-called IP Box relief) and lump sum on registered income provided that the taxpayer is subject to social insurance, within the meaning of the Act on the Social Insurance System, in respect of the income earned.

Relief for return - It is an exemption from PIT up to the amount of PLN 85,528 per year for taxpayers who meet certain legal requirements. To take advantage of this relief, employees do not have to have income from other sources.

The exemption applies to income similar to that for relief for pensioners.

Person seeking to claim the allowance must meet the following conditions:

- a person holds Polish citizenship or that of a state to be found in the attachment to the law (the member states of the European Union, the European Economic Area, or the Swiss Confederation), and/ or
- holds a Pole's Card, and/ or

- over an uninterrupted period of three years has had their domicile in the selected jurisdictions listed in the law (i.e. member states of the European Union, the EEA, the Swiss Confederation but also e.g. Australia, Japan, Canada, the UK or the US), and/ or
- had been living in Poland for five years before the three-year interval prior to the year of their repatriation (other conditions apply).

The relief must be applied in four consecutive tax years, counting from the beginning of the year in which the taxpayer transferred his place of residence or from the beginning of the following year.

The relief applies to taxpayers who have transferred their residence after 31<sup>st</sup> December 2021.

- Relief for a taxpayer with at least four children - It is an exemption from PIT up to the amount of PLN 85,528 per year for taxpayers who meet certain legal requirements. To take advantage of this relief, employees do not have to have income from other sources.

The exemption applies to income similar to that for relief for pensioners. In addition, it sets out the specific conditions to be met in order to benefit from the exemption.

- Single parent relief (if the statutory conditions are met – PLN 1,500 per year).

Relief for “bad debts” has been also introduced in the PIT Act: income tax relief mechanism is similar to the bad debt relief in VAT. Taking advantage of PIT bad debt relief is possible after meeting certain conditions, i.e.:

- the debtor is not undergoing restructuring, bankruptcy or liquidation proceedings,
- 2 years have not elapsed from the end of the calendar year in which the invoice was issued,
- the transaction concerns entities subject to income tax in Poland.

Personal income tax rates:

Taxable basis in PLN	Tax rate	
up to 120,000	12% of taxable basis	less amount decreasing due tax depending on the tax basis
over 120,000	PLN 10,800 + 32% of any amount exceeding PLN 120,000	

## Deductions

Available deductions depend on the income source. From 1<sup>st</sup> January 2020, a deduction of PLN 250 per month is available in respect of expenses associated with employment income. Individuals working under certain civil law contracts may deduct 20% of their income as tax costs, irrespective of whether these costs are actually incurred. Higher deductions are available to individuals working under Polish civil contracts if they can prove that their actual expenses were higher than 20%. In the case of certain activities, e.g. exploiting a copyright, a deduction of 50% is allowed.

Shall an individual be self-employed, deduction of all income-related expenditures is allowed, based on rules similar to those applicable for corporations. The same applies for income gained from participation in a partnership.

# Types of employment and social security

## Employment contracts

Generally, there are following possible types of employment agreement in Poland:

1. Self-employment,
2. Employment,
3. Civil contracts: the contract of mandate (in Polish: umowa zlecenie) or contract for a specific task (in Polish: umowa o dzieło).



## Self-employment

A person may perform his/her business activity on the basis of a cooperation agreement (so called self-employment). In this case all registration and tax settlement obligations are on the side of the self-employed person. Social Insurance Contributions should be paid by the 20<sup>th</sup> day of each month for the previous month.

Individuals starting business activity can, during the period of the first 24 calendar months, pay social insurance contributions based on the individually declared amount not lower than 30% of minimum wage, provided that certain conditions are fulfilled.

In 2023, the reduced base is:

- 30% of PLN 3490, or PLN 1047 – from January to June 2023
- 30% of PLN 3600, or PLN 1080 – from July to December 2023.

## Standard employment

With regard to employment contracts social insurance contributions are collected by an employer, however they are divided in two parts: paid by the employer and the employee (the latter are withheld by an employer acting as a remitter). Social insurance contributions for employees should be paid by the 20<sup>th</sup> day of each month.

Social insurance payments consist of: retirement and disability pension insurance, illness and accident insurance, Labour Fund, Bridging Pension Fund, Employee Benefit Fund and health insurance. The basis of calculation is generally income, however in case of retirement and disability pension insurance the contributions are calculated on basis of income, but only up to the upper limit (for 2023 this is PLN 208,050).

Social contributions – employment contract:

Contribution % of total monthly salary	Total	Employee	Employer
Retirement insurance	19.52%	9.76%	9.76%
Disability pension insurance	8.00%	1.50%	6.50%
Health insurance (based on a basis calculated separately)	9%	9%	-
Illness insurance	2.45%	2.45%	-
Accident insurance	0.67-3.33%	-	0.67-3.33%
Bridging Pension Fund	1.5%	-	1.5%
Labour Fund	2.45%	-	2.45%
Employee Guaranteed Benefits Fund	0.10%	-	0.10%

From 2022, the rules for calculating health contributions changed - non-deductibility of health contributions which is 9% from revenue. Previously it was possible to deduct 7.75% of the contribution base.

Flat rate (19%) - the health contribution amounts to 4,9% of the income (no less than PLN 270,90).

Lump sum (the amount of tax depends on the amount of revenue, therefore, deductible costs cannot be deducted. Depending on the type of business activity, a flat tax on registered income amounts to i.a. 17%, 15%, 12% of revenue) - for entrepreneurs taxed on lump-sum tax on registered income, the monthly basis for health insurance contribution will be:

- an amount equal to 60% of the average monthly salary, if the business revenue generated from the beginning of the calendar year does not exceed PLN 60,000
- an amount equal to the average monthly salary, if the business revenue since the beginning of the calendar year exceeded PLN 60,000 but did not exceed PLN 300,000
- an amount equal to 180% of the average monthly remuneration, if the business revenue since the beginning of the calendar year exceeded PLN 300,000.

Moreover, all board members remunerated by a resolution, i.e. only those holding office by appointment who receive remuneration in this respect, are liable to pay a health contribution (9%).

### Civil contracts

Generally, both tax and social insurance settlements with regard to civil contracts are analogous to employment contract. However, depending on the status of the individual, an employer may not be required to register an employee for all the titles of social security contributions.

There is new obligation to notify ZUS about specific-task contracts concluded from 1<sup>st</sup> January 2021.



## Value Added Tax

### General information

Value Added Tax was introduced in Poland in 1993 and then significantly changed in 2004, in connection with Poland's entry into the European Union. The currently binding VAT Act is in line with the relevant EU VAT regulations, including the EU VAT Directive.

### VAT registration

All entities that perform activities subject to VAT in Poland are obliged to register before they undertake their first taxable activity. Upon VAT registration they gain the status of active VAT payers.

Taxpayers must notify the Polish tax authorities in advance if they intend to carry out intra-Community transactions. On the basis of this notification, the entity is registered as an EU VAT payer. Taxpayers whose net amount of taxable sales did not exceed PLN 200,000 in the previous year are exempt from VAT (with the exception of certain activities). Similarly, taxpayers that start to make taxable sales during the tax year are exempt from VAT if the expected net amount of their taxable sales in a corresponding fraction does not exceed PLN 200,000. However, taxpayers can opt for taxation provided they notify the relevant tax office of their intention.

### VAT rates

In Poland, there are four VAT rates: the standard rate of 23% and reduced rates of 8%, 5% and 0%. The VAT rate on a range of food products has also been reduced to 0% until the end of June 2023. The standard rate applies to all supplies of goods or services, unless a specific provision allows a reduced rate or exemption.

Statement of an outstanding VAT liability results, with some exceptions, in assessment of the additional tax liability by the tax authorities. The additional liability amounts may be: up to 30% (standard rate), but in certain situations may be lowered to a rate of up to 20% or 15%, but also increased to 100% (fraudulent transactions).

With the arrival of 2023, VAT rates on certain products, such as fuel, electricity and heating, have been raised to 23%.



In addition, there is also an obligation to provide Standard Audit File for Tax (hereinafter: SAF-T file), which is an IT solution introduced by the Polish Ministry of Finance in order to improve the work of tax authorities and fiscal control authorities. SAF-T file is specially prepared data sets generated directly from the accounting software of the company, having a fixed form, allowing fiscal control authorities to easily review and analyze them. SAF-T file is a set of information about economic operations for a given period. It can be transmitted only in electronic form directly from the company's IT system.



Under Polish law, taxpayers are required to transfer to the tax authority the SAF-T file:

- every month - by the 25th day of each month following the month for which the information is to be sent,
- at the request of the tax authority – special kinds of SAF-T, different from the monthly ones.

Failure to submit a file on time may expose the entrepreneur to the imposition of a fine.

### **JPK\_V7**

JPK\_V7, which includes the declaration and recording part, is mandatory to be submitted by all taxpayers registered as active VAT taxpayers for periods from 1 October 2020 (i.e. large, medium and small enterprises and microentrepreneurs).

Moreover, in the recording part, apart from the current data, taxpayers are obliged to specify grouping of goods and services (GTU\_1-13 or indication of transactions outside the groupings), indication of tax procedures (one of 13 possible choices or settlement outside the chosen procedures), designation of the type of document to be shown in the records, various types for own and third-party documents.

Current variants of the logical structure of JPK\_VAT include JPK\_V7M(2) declaration – for monthly settlements, and JPK\_V7K(2) for quarterly settlements.

In JPK\_V7M/K declarations it is possible to report transactions relating to the correction of uncollectible receivables, the so called "bad debt relief".

### **Recovery of input VAT**

Taxpayers may recover input tax, e.g. the VAT paid on purchased goods and services and used in the taxpayers' taxable activity, by deducting it from output tax, e.g. the VAT charged on supplies made.

Input tax on e.g. accommodation and restaurant services and partly on purchase of fuel, diesel or gas used for passenger cars (in some cases) cannot be recovered. Also input tax directly related to exempt supplies is generally not recoverable (but it can, under certain conditions, be deducted as a cost for income tax purposes), with some exceptions.

Excess input VAT can be either carried forward and deducted from future VAT liabilities or refunded. Refunds are generally made within 60 days. In certain circumstances this period can be shortened to



25 days. Where a company does not perform taxable activities in a given period, the refund period is extended to 180 days.

### **VAT returns**

As a rule VAT returns must be filed on a monthly or quarterly basis (in some cases). VAT returns and full payment of VAT due must be made by the 25th day of the month following the month (quarter) in which the tax point arose. In addition, every month or at the authority's request there is an obligation to submit the SAF-T file.



### **Bad debt corrections**

Taxpayers who did not settle their liabilities towards other VAT-payers within 90 days as from the payment deadline are obliged to correct the deducted input VAT (if the deduction has been made). Taxpayers who fail to perform such a correction are imposed a penalty equaling 30% of the correction amount.

### **Invoicing**

Polish VAT regulations allow taxpayers to issue and store invoices in an electronic form to save administrative costs and time. The standard deadline for issuing an invoice is the 15th day of a month following the month when goods were delivered or service provided, with exceptions.

### **Split payment**

"Split payment" is a procedure under which payment for invoices is divided into two parts: one paid directly to the contractor, and the other part – equal to VAT charged on the invoice – paid to a separate bank account owned by the same contractor, but with restrictions to use funds gathered there-on. Mandatory split payment applies only to transactions between taxpayers (B2B), which are subject to VAT in Poland, documented by invoices in which the total amount of receivables exceeds PLN 15,000 (gross). The obligation to apply the split payment mechanism covers selected goods and services only (among others: steel products, electronics, constructions services).

SLIM VAT 3, which entered into force on 1<sup>st</sup> July 2023, extended the possibilities to use funds collected in so-called VAT accounts (these funds will have to be used to settle, for example, retail sales tax).

### **The white list of VAT-taxpayers**

It is a register on which active and exempt VAT-taxpayers are placed. Before paying for the transaction exceeding the value of PLN 15,000, entrepreneurs are required to check whether the bank account of their contractor is on this list. If the payment is made to an account that is not on the "white list", the payment cannot be recognised as a tax deductible cost. In addition, payment made to an account not mentioned in the "white list" causes a joint and several liability of the purchaser with its seller for the tax arrears in terms of VAT.

### **Quick fixes**

The provisions of EU Directive 2018/1910, called “quick fixes”, are applicable directly in settlements of Polish VAT-taxpayers, although they have also a possibility to apply the national VAT regulations, if more convenient.

Quick fixes concern the following four changes:

- simplified treatment of call-off stock,
- uniform rules to simplify chain transactions,
- mandatory VAT identification number to apply the 0% VAT rate,
- simplified proof of intra-Community supplies.

### **SLIM VAT 3**

SLIM VAT 3 is a package of solutions that introduces the new VAT settlement rules that came into effect on 1<sup>st</sup> July 2023. Areas of the VAT Act that have been improved and changed: increase in the value limit for small taxpayers to EUR 2 million, abolition of the requirement to hold an invoice for intra-Community acquisitions of goods (ICT) when deducting input VAT, clarification of the rules for applying the conversion rate for correcting invoices, simplification of invoicing reporting (including adaptation of the conditions for issuing an invoice to the e-paragon) and keeping records of sales using cash registers.

### **Binding VAT Rate Information**

Binding VAT Rate Information can be issued at the request of a taxpayer in the form of a decision and it provides taxpayers with certainty as to the correctness of VAT taxation of transactions (VAT rates applicable etc.), as well as an adequate protection against different law interpretation through tax auditors. The application for the issuance of the so-called “WIS” is possible from 1<sup>st</sup> November 2019, whereby the Binding VAT Rate Information shall relate to legal status effective from 1<sup>st</sup> April 2020. From 1<sup>st</sup> July 2020, tax authorities cannot question the VAT rate if it is determined on the basis of the WIS. With the entry into force of SLIM VAT 3, the WIS application fee is abolished.

### **National System of e-Invoices (KSeF)**

The system allows structured invoices to be issued, sent and stored using KSeF.

The transition to structured invoices brings benefits such as:

- the ability to take advantage of the 40-day time limit for VAT refunds,
- the ability to settle invoices in the negative without the need to have the required documentation,
- and the absence of an obligation to send a JPK\_FA file on request.

Use of the KSeF system will become mandatory from 1<sup>st</sup> January 2024 for most of Polish VAT tax payers for selected transactions.

## VAT Group

VAT Group is intended to create the possibility of joint settlement for a VAT Group, similarly to corporate income tax – Tax Capital Group (PGK).

This institution assumes that transactions for the supply of goods and services between VAT Group entities are not to be subject to VAT.

In transactions with entities outside the VAT group, the VAT group will be regarded as a single taxpayer, without division into its constituent entities. Therefore, the purchase of services or goods by an entity from the group will be the purchase of these services or goods by the VAT group – will be treated as internal transactions (within one VAT taxpayer).

The same principle will apply to sales. In practice, this means tax neutrality between group members concerning both output and input tax.

A group of entities wishing to set up such a group will need to be financially, economically, and organisationally linked. The various links are understood as follows:

- financial links – occur when one of the entities in the group owns:
  - directly more than 50% of shares in the share capital, or
  - more than 50% of the voting rights in the controlling, constituting or management body, or
  - more than 50% of the rights to share in the profits of each of the other taxpayers that are members of the group.
- economic links – will occur when:
  - the principal activity of the members of the VAT group is of the same nature, or
  - the activities of the Members of the VAT group are complementary and interdependent, or
  - a member of the VAT group carries out activities that benefit wholly or mainly other members of the VAT group.
- organisational links – will occur if:
  - in law or in fact, directly or indirectly, are under the common direction, or
  - organise their actions in whole or in part.

Importantly, these links between the members of a VAT Group must be fulfilled uninterruptedly for the duration of the group's status as a taxable person. An entity can only belong to one VAT group. In addition, no other group can belong to a VAT group.

Taxpayers forming a VAT Group will have to conclude a written agreement on the formation of such a group, which will have to contain, among other things, the identification of the group's representative, the identification of the taxpayers, and the period for which the agreement on the formation of the group will be concluded – **which cannot be shorter than 3 years**. The composition of the group may not change during the term of the grouping agreement.

A VAT group shall become a taxable person for VAT purposes on the date specified in the agreement, but not earlier than on the date of its registration by the competent head of the tax office.

The VAT Group provisions came into force on 1<sup>st</sup> January 2023.

### **VAT refund for non-cash transactions in 15 days**

For non-cash taxpayers – 15 days counting from the day on which the deadline for submission of the return expired, in the case of submission of a return/ correction in which the taxpayer showed a refund of the tax difference. The “Fast VAT refund” is subject to a number of obligations, which must be met in order to take advantage of it. Among others, it is necessary to meet criteria regarding a high share of total sales with tax recorded using online cash registers (minimum 80% share) or a high share of received payments made with the use of payment instruments.

In addition, in force from 1<sup>st</sup> July 2023, SLIM VAT 3 introduced changes to the provisions on fast VAT refunds by, among other things, lowering the rate of participation of non-cash payments or the required time of owning only online or virtual cash registers and meeting the condition of the value of sales achieved on these registers (from twelve to six months).

## Turnover Taxes and other

### **Tax on Civil Law Transactions**

TCLT is applicable on certain transactions enumerated in the relevant Act. In the table below please find exemplary transactions and rates.

Examples of transactions subject to TCLT:

Transaction	TCLT rate	Taxable basis
articles of association of a company or partnership agreement	0.5%	share capital – in the case of companies, or property’s value – in the case of partnerships
loan agreement	0.5%	loan value
sale of assets or property rights	2% or 1%	market value of the asset or property rights

Certain transactions are TCLT exempt/excluded, like loans granted by shareholders or changes of articles of association resulting from several restructuring activities (mergers, contribution in kind of an enterprise or of shares, divisions, transformation of corporations), or transactions underlying VAT taxation.

### **Real Estate Tax (RET)**

Owners, persons/entities having right of perpetual usufruct of real estate (land, buildings, structures), and some other persons/entities using real estate are subject to Real Estate Tax. RET due on land and buildings is calculated per sqm. Rates are determined by local tax authorities, within the limits provided by law, and are higher in case of real estate used for purposes of running business activity and lower in case of real estate destined for non-commercial use.

Structures (understood as building objects connected permanently with the ground, other than build-ings) are subject to RET if they are connected with business activity. The taxable basis for structures is determined according to their initial value for income tax purposes (not decreased by depreciation). The RET rate for structures is 2%. Some RET exemptions are available, in the relevant Act or granted by the local authorities.



### **Excise tax**

Excise tax is an indirect tax, harmonised at the European Union (EU) level, which means uniform procedures in the EU and no freedom in its design. It is worth noting that in Poland excise duty, which has been accepted in numerous judgments of the Court of Justice of the EU, is levied on many more categories of goods than under European law.

It is a type of selective indirect tax, imposed on consumer products strictly defined by law. Contrary to VAT, however, it is a tax levied at one stage of turnover, which, however, is compensated by high rates and a high level of collection of this tax. Excise tax, like any indirect tax, has an impact on the price of a product, and consequently, the actual taxpayer of this tax is the final purchaser (consumer) of a given good. The goods subject to excise duty are mainly: energy products, electricity, alcoholic beverages, tobacco products, other smoking products. What is important for foreign suppliers of excise goods is the fact that there are formal limitations and requirements for delivering these goods to Polish consumers. This even applies to such common forms of sale as online shops selling alcohol or smoking products and cars. In addition, the regulations provide for a number of formal obligations relating to the movement of excise goods into Poland and their exemption from excise duty. Some exempted entities must also, from 2021, submit quarterly declarations, even though they do not pay excise duty. Excise duty rates are expressed as: amount per unit of product, percentage of tax base, percentage of maximum retail price, amount per unit of product and percentage of maximum retail price. Tax is based on the principle of self-calculation. Taxpayers are obliged to pay without notice, for monthly settlement periods, by the 25th day of the month following the month in which the tax obligation arose.

The excise duty suspension arrangement shall include a procedure which is applied during the production, storage, handling and movement of excise goods, during which no tax liability arises. The duty suspension arrangement shall apply in particular when the goods are placed in a tax warehouse.

On 13<sup>th</sup> February 2023, excise legislation implementing the provisions of Council Directive (EU) 2020/262 of 19 December 2019 laying down the general arrangements for excise duty (recast) entered into force. Pursuant to these provisions, from 13th February 2023, the intra-Community movement of excise goods subject to harmonised excise duty released for consumption within the territory of the European Union takes place using the EMCS System, on the basis of electronic simplified accompanying documents e-SAD.

The authorised consignee's excise number or the consignor's excise number can be obtained by submitting an application on the PUESC ('Platform of Electronic Customs and Fiscal Services') website.

From 1<sup>st</sup> February 2024, taxpayers will have to prepare to comply with new obligations: to keep excise records only in electronic form and to report data to the Central Excise Products Register (CE-WA).

### **Retail Sale Tax**

Taxpayers are retailers, and the subject of taxation is the revenue from retail sales. The tax obligation will arise when the revenue in a given month exceeds PLN 17 million and will concern revenue above that amount earned from that moment until the end of the month.

The taxable base is the excess of revenues from retail sales over PLN 17 million achieved in a given month.

The tax rates are as follows:

- 0.8% of the tax base - in the part where the tax base does not exceed PLN 170,000,000,
- 1.4% of the taxable amount in excess of PLN 170,000,000 - in the part in which the taxable amount exceeds PLN 170,000,000.

### **New Sugar Tax**

The sugar fee (also known as sugar tax, because in legal terms it is a tax, not a fee) from 1<sup>st</sup> January 2021 is subject to drinks containing: sweeteners used to give foodstuffs a sweet taste or used in table sweeteners e.g. saccharin, aspartame, xylitol, thaumatin, caffeine or taurine.

Payment shall be payable to a natural person, a legal person and an organisational unit without legal personality which is: (i) an entity selling beverages to retail outlets, (ii) a retailer of beverages in the case of: a producer, a intra-community delivery purchaser or an importer of a beverage, (iii) the contracting authority where the composition of the beverage subject to the charge forms part of a contract concluded by the manufacturer concerning the production of that drink for the contracting authority.

### **Tax on small bottles of alcohol**

Tax on small bottles of alcohol must be paid from 1<sup>st</sup> January 2021. It is levied for alcoholic beverages of less than 300ml. This tax was also officially called a fee, which is not reflected in its design. Tax on small bottles of alcohol has to be paid by entrepreneurs who have permits for alcohol wholesaling. It applies to wholesalers who supply another entrepreneur who carries out retail sales of alcohol for consumption outside the place of sale (mainly shops, petrol stations). The charge is PLN 25 per litre of 100 per cent alcohol sold in containers of up to 300 ml.

From 1<sup>st</sup> July 2023, there are plans to amend the levies on alcoholic beverages sold in packages of up to 300ml. One of the planned changes is a guarantee that the fee is paid once. An entrepreneur selling alcohol in so-called monkey bars will be obliged to provide purchasers with information, together with the invoice, that the tax has already been paid. According to the Excise Map developed by the Ministry of Finance, from 2023 to 2027 the amount of tax on alcohol is to increase by 5% per year.

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