Investing in Poland

An overview of the current tax system | 2018

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Investing in Poland.
An overview of the current tax system.

The current developments within Central and Eastern European countries are accompanied by ongoing changes in tax systems. For investors, this means numerous new developments to take into account.

TPA’s CEE Country Series covers 11 Central and South Eastern European countries, and gives an overview of the business environment and the most important new developments, including:
- Different types of business organisations, and their most important features
- Key details of corporate and personal income tax and VAT in each country
- Current tax allowances, reliefs and concessions
- Core provisions of double taxation agreements

In the TPA-Country Series there are booklets on Albania, Austria, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia and Slovenia. Visit our website www.tpa-group.com, for detailed information and updates, or subscribe to our electronic newsletter at service@tpa-group.com

The information in these folders is based on the present legal situation and current administrative practice, and is therefore subject to change. The information is general in nature, and of necessity abridged: the booklets are not a substitute for individual, specific advice.

Our CEE experts will be happy to answer your questions in more detail.

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Types of organisation

	Name in local language	*Registrable in commercial register / legal entity*	*Minimum capital*	*Sole shareholder corporation*
Limited liability company	Spółka z ograniczoną odpowiedzialnością	yes / yes	PLN 5,000 (approx. EUR 1,190) Smallest nominal share PLN 50	yes
Stock company	Spółka Akcyjna	yes / yes	PLN 100,000 (approx. EUR 23,810) Smallest nominal share PLN 0.01	yes
Cooperative (with limited liability)	Spółdzielnia	yes / yes	no	no / at least 5 members for an agricultural cooperative, otherwise 10; not applicable if at least 3 members are legal persons
Registered partnership	Spółka jawna	yes / no	no	no
Limited partnership	Spółka komandytowa	yes / no	no	no
Partnership limited by shares	Spółka komandytowo – akcyjna	yes / no	PLN 50,000 (approx. EUR 11,905)	no
Professional Partnership	Spółka partnerska	yes / no	no	no
Registered branch office	Oddział	yes / no	no	–
Permanent establishment	Zakład	no / no	no	–

	Tax on civil law transactions / registration fees	*Written form / notarization*	*Tax transparency*	*Registration with tax authorities*	*Statutory audit (revenues in excess of EUR 5 million; total assets in excess of EUR 2.5 million, more than 50 employees)*
Limited liability company	tax on incorporation agreement – 0.5 % / registration – PLN 500 (EUR 119) + payment for the announcement PLN 100 (EUR 24)	yes / yes	no	yes	if at least two of the thresholds are exceeded
Stock company	tax on incorporation agreement – 0.5 % / registration – PLN 500 (EUR 119) + payment for the announcement PLN 100 (EUR 24)	yes / yes	no	yes	obligatory
Cooperative (with limited liability)	no / registration – PLN 500 (EUR 119) + payment for the announcement PLN 100 (EUR 24) – exception for social cooperative – free of charges	yes / no	no	yes	obligatory
Registered partnership	tax on incorporation agreement – 0.5 % / registration – PLN 500 (EUR 119) + payment for the announcement PLN 100 (EUR 24)	yes / no	yes	yes	if at least two of the thresholds are reached
Limited partnership	tax on incorporation agreement – 0.5 % / registration – PLN 500 (EUR 119) + payment for the announcement PLN 100 (EUR 24)	yes / yes	yes	yes	if at least two of the thresholds are reached
Partnership limited by shares	tax on incorporation agreement – 0.5 % / registration – PLN 500 (EUR 119) + payment for the announcement PLN 100 (EUR 24)	yes / yes	no	yes	if at least two of the thresholds are reached
Professional Partnership	tax on incorporation agreement – 0.5 % / registration – PLN 500 (EUR 119) + payment for the announcement PLN 100 (EUR 24)	yes / no	yes	yes	if at least two of the thresholds are reached
Registered branch office	generally no / registration PLN 500 (EUR 119) + payment for the announcement PLN 100 (EUR 24)	–	–	yes	if at least two of the thresholds are reached
Permanent establishment	–	–	–	yes	if at least two of the thresholds are reached

Exchange rate: EUR 1 = PLN 4.2 (EUR amounts rounded)

Corporate income tax

Tax rate	▪ 19 % (general tax rate) ▪ 15 % only for small taxpayers and taxpayers setting up business – in this given tax year ▪ 0.034 % monthly – applicable only as regards minimum CIT Small taxpayers – those whose revenues from sales, increased by VAT, did not exceed the equivalent of EUR 1.2 million in the preceding tax year. Corporate income tax rate for corporations as well as partnership limited by shares with unlimited or limited liability to tax, no minimum corporate income tax
Tax liability	
Unlimited	Corporation with residence or management in Poland, unless where restricted by DTA
Limited	Foreign corporations neither resident nor managed in Poland, on their Polish income
Financial year	Calendar year; different financial year possible, but must be reported to the tax office in writing
Accounting	In general, double-entry bookkeeping as specified in Accounting Act (29.09.1994)
Loss set-offs / carryforwards	Possible, subject to set off / carryforward limits; carryforwards over 5 years, generally with an annual maximum of 50 %, with the balance in following years; no loss carrybacks. Furthermore, last set-offs and carryforwards are possible only within each of the two income sources – income derived from capital gains and the remaining income (from business activity and special branches of agriculture). An exception applies for banks and other financial institutions whose whole income falls into one sources.
Associated parties	Subject to Article 11 of the Corporate Income Tax Act, if an enterprise participates directly or indirectly in the management, control or capital of another enterprise (subsidiary), or the same persons and/or entities without a legal personality participate directly or indirectly in the management, control or capital of both enterprises (sister company). Requirement to fullfill the above: direct or indirect possession of minimum 25 % of shares in the capital of another entity
Operating expenses	Expenses incurred in connection with the generation of income, maintaining or securing the source of income. Costs of immaterial services incurred, directly or indirectly, for the benefit of related parties or entities situated in jurisdictions with harmful tax competition may not be recognized as tax-deductible costs in the amount exceeding 5 % of EBITDA calculated according to the rules provided by the CIT law. The limitation does not apply to costs not exceeding PLN 3 million. The catalogue of services affected includes: ▪ advisory, marketing, market research, management, control, data processing, insurance, guarantees, bails and similar services ▪ payments for the use of fictitious and legal assets ▪ transfer of the debtor’s insolvency risk as regards non-banking loans
Transfer prices	The obligation to prepare the transfer pricing documentation (“TPD”) and its type depends on the taxpayer's revenues or expenses: 1. Revenues/expenses below EUR 2 million: no TPD required (except for transactions or events with tax heaven-based entities – from amount of EUR 20,000) 2. Revenues/expenses above EUR 2 million: local file (detailed information about transaction/event and parties, including particular elements specified in Polish Corporate Income Tax Act); documentation requirement triggered basically by transactions or events whose value amounts to EUR 50,000 (+ EUR 5,000 for each million of revenues/expenses above EUR 2 million) as well as by transactions or events with tax heaven-based entities – from amount of EUR 20,000 3. Revenues/expenses above EUR 10 million: local file + comparability analysis (benchmarking study); documentation requirement triggered basically by transactions or events whose value amounts to EUR 50,000 (+ EUR 5,000 for each million of revenues/expenses above EUR 2 million) as well as by transactions or events with tax heaven-based entities – from amount of EUR 20,000 4. Revenues/expenses above EUR 20 million: local file + comparability analysis (benchmarking study) + master file (information about the group of associated entities); documentation requirement triggered basically by transactions or events whose value amounts to EUR 140,000 (+ EUR 45,000 for each 10 million of revenues/expenses above EUR 20 million; in case revenues/expenses exceed EUR 100 million – transaction/event threshold amounts to EUR 500,000) as well as by transactions or events with tax heaven-based entities – from amount of EUR 20,000 Additional obligations: ▪ for all taxpayers who are obliged to prepare TPD – attach to their annual tax returns (form CIT-8) a written statement that TPD for the given tax year has been prepared, ▪ for taxpayers with revenues/expenses above EUR 10 million – attach to their annual tax returns a special information (on form CIT-TP) about transactions/events with associated entities and tax haven-based entities, ▪ for Polish parent entities consolidating financial statements of the group in case consolidated revenues of the group exceeds EUR 750 million – preparation and submission of a country-by-country report (information on global allocation of income and taxes) – within 12 months after the end of the given tax year. General deadline for preparing of TPD is by last day of the third month following the end of the tax year (in case tax year corresponds calendar year the deadline is 31st March of the subsequent year). Moreover, TPD must be delivered to the tax authorities within 7 days – on their request. In the absence of TPD any additional income assessed on the given transaction/event may be taxed with CIT at the penalty rate of 50 %. Advanced pricing agreements (APA) are available.

	Interest on financing of acquisition	Generally deductible
	Thin capitalization limitations	▪ Applies to financing received both from related and unrelated parties ▪ The surplus of debt financing costs exceeding 30 % of EBITDA set according to criteria from the CIT law may not be recognized as tax-deductible costs ▪ The limitation does not apply to the surplus not exceeding PLN 3 million and to financial enterprises ▪ The surplus may be settled within the next five years, though all limitations do apply
	Tax depreciation	Tax depreciation: rates for individual asset types or classes defined by tax law. Under commercial law, on the basis of the expected useful life Straight-line, reducing balance only for special machinery, equipment and means of transport (excluding cars) 100 % depreciation available for low value assets with acquisition costs of up to PLN 10,000 (net of VAT) Depreciation rates ▪ Buildings: 1.5 % – 10 % ▪ Other constructions: 2.5 % – 20 % ▪ Machinery and equipment: 7 % – 25 % ▪ Cars and trucks: 20 % ▪ Computers: 30 % Where justifiable on technical grounds, other (higher) rates may be allowable
	Provisions	Accounting provisions are generally not allowable for tax purposes (limited number of very restrictive exceptions)
	Passenger car expenses	Depreciation: 20 % straight-line Depreciation and insurance costs of cars attributable to acquisition cost exceeding EUR 20,000 net of VAT are not allowable. 100 % of VAT deductible if the car is used exclusively for business purposes (relevant strict evidence required). If used for business and private purposes and/or no evidence is maintained – 50 % deductible. The remaining 50 % part of input VAT is tax deductible cost in corporate income tax via depreciation write-offs.
Non-deductible expenses		Examples (complete list in Article 16 of the Corporate Income Tax Act) Depreciation and insurance costs of cars attributable to acquisition cost exceeding EUR 20,000 net of VAT Accrued interest and exchange differences (if accounting rules are chosen for tax purposes, unrealised exchange differences may become tax deductible) The majority of provisions made in the financial accounts Entertainment and promotional costs, especially hospitality, purchase of food and drink (incl. alcohol) All payments exceeding PLN 15,000 (approx. EUR 3,400) made in cash

Withholding tax		Where liability to tax is limited, withholding tax of 19 % or 20 % is deducted. Applicable DTA can provide for income to be exempt from taxation or for taxes to be set off
	Interest	Tax rate 20 %, or lower tax rate per applicable DTA or exemption on the basis of EU Interest and Royalty Directive for group purposes. Application of a reduced rate according to DTA: possession of tax residence certificate is required. Application of an exemption: possession of i) tax residence certificate and ii) a written statement that the recipient company does not enjoy exemption from taxation of the whole of its income regardless of where it has been derived and that it is beneficial owner of interest is required.
	Royalties	Tax rate 20 %, or lower tax rate applicable DTA or exemption on the basis of EU Interest and Royalty Directive for group purposes. Application of a reduced rate according to DTA: possession of tax residence certificate is required. Application of an exemption: possession of i) tax residence certificate and ii) a written statement that the recipient company does not enjoy exemption from taxation of the whole of its income regardless of where it has been derived and that it is beneficial owner of royalties is required.
	Dividends	At 19 %, or lower tax rate per applicable DTA or exemption on the basis of EU Parent-Subsidiary Directive for group purposes. Application of an exemption or a reduced rate according to DTA – possession of tax residence certificate is required. Application of an exemption in the following cases: **Nationally** Exemption from withholding tax on dividends paid by a company resident in Poland to another company resident in Poland. Requirements: the company entitled to the dividend must have held at least 10 % of the shares in the company paying the dividend for an unbroken period of 2 years. **EU, EEA** Exemption from withholding tax on dividends paid by a company resident in Poland to company resident in another EU or EEA state. Requirements: the company entitled to the dividend must have held at least 10 % of the shares in the company paying the dividend for an unbroken period of 2 years. Requirement: possession of tax residence certificate and a written statement that the recipient company does not enjoy exemption from taxation of the whole of its income regardless of where it has been derived. Condition: cooperation in the area of information exchange. **Switzerland** Tax exemption for withholding tax on dividends paid by Polish companies to companies with registered offices in Switzerland provided the recipients hold at least 25 % of the share capital of the dividend payer for an uninterrupted period of 2 years. Requirement: possession of tax residence certificate and a written statement that the recipient company does not enjoy exemption from taxation of the whole of its income regardless of where it has been derived. Condition: cooperation in the area of information exchange.

Corporate income tax

Direct collection		Apart from withholding tax, no other provisions
Capital gains		Capital gains are a seprate source of revenues and subject to standard CIT rates (15 % / 19 %).
Dividend income		Please see above – constitutes capital gains
	Exemptions	As a general rule, income from investments is taxable: corporate income tax rate of 19 % (see also above). There is an exemption, however, for dividends received by a Polish company from the following sources: **EU, EEA** Exemption from withholding tax on dividends received by a company resident in Poland from a company resident in an EU or EEA state. Requirements: the Polish company entitled to the dividend must have held at least 10 % of the shares in company paying the dividend for an unbroken period of 2 years. Requirement: possession of tax residence certificate. Condition: cooperation in the area of information exchange. **Switzerland** Tax exemption for dividends received from companies with registered offices in Switzerland provided the Polish company holds at least 25 % of the share capital of the dividend payer for an uninterrupted period of 2 years. Requirement: possession of tax residence certificate. Condition: cooperation in the area of information exchange. **Other countries (with DTA)** Tax credit for withholding taxes and proportionate share of corporate income tax paid in the other countries with whom Poland has a DTA provided the Polish company holds at least 75 % of the share capital of the dividend payers from other countries for an uninterrupted period of 2 years. Requirement: possession of tax residence certificate. Condition: cooperation in the area of information exchange. **Other countries (without DTA)** Tax credit for Polish companies in respect of withholding taxes paid on dividends in other countries on the basis of Polish domestic tax law.
Parent Subsidiary Directive / International parent-subsidiary exemption		Exemption from withholding tax on distributions out of profit provided requirements satisfied: ▪ Qualifying period – 2 years ▪ Minimum holding – 10 % Gains on disposals of investments are taxable
Interest and Royalty Directive		Exemption from withholding tax on interest as well as royalties provided some requirements are fulfilled
Goodwill amortization		Asset deal: possible (over 5 years), but only in the case of the purchase of an entire enterprise, or an organised part of an enterprise (OPE) Share deal: not possible
Group taxation		The following requirements must be satisfied: ▪ Parent company must hold at least 75 % of the capital of the other members of the group ▪ The other members of the group may not have interest in each other ▪ Parent company and the other members may not have interests in excess of 5 % in other companies not forming part of the group ▪ Members of the group must have equity of at least PLN 500,000 determined disregarding the capital that has not actually been transferred or covered by debt and interest accrued thereon as well as non-depreciable intangible and legal values ▪ The group must have taxable profits amounting to at least 2 % of gross revenue ▪ Members of the group are not exempt from corporate income tax (e.g. in connection with special economic zones or investment funds)
Controlled Foreign Corporation – CFC regulations		If a Polish company participates in a foreign company (CFC), income earned by such a foreign company may be taxed at the level of the Polish participating company provided that: (i) such a CFC is located in a country applying harmful tax competition; (ii) there is no DTA and/ or other such agreement between Poland or the EU and such country and (iii) the Polish company holds – on its own or together with its related entites – at least 50 % of shares (directly/ indirectly) and (iv) at least 33 % of the CFC's revenues is derived from certain sources, including dividends and other revenues from the participation in legal persons, shares/stocks alienation, interest, receivables, copyrights, industrial property rights, including their alienation, financial activity, transactions with related entities if no or nearly no added valued is created etc. and (v) income tax actually paid by the CFC is lower than the income tax that would be paid if the corporation was a Polish tax resident decreased by the income tax actually paid in the country of its tax residency. Certain, specific cases where CFC rules do not apply are listed in the CIT Law
Minimum Corporate Income Tax		▪ Miminum income tax applies to owners of commercial real estates located in Poland whose value exceeds PLN 10 million ▪ CIT as regards revenues derived from this commercial real estate ▪ Tax rate: 0.035 % monthly of the tax base being the initial value of the commercial building

Personal income tax

Tax rate

Tax base		Tax
From	up to	
	PLN 85,528	18 % less the tax-free amount
PLN 85,528		PLN 14,839.02 plus 32 % of the amount in excess of PLN 85,528 less the tax-free amount

Personal income tax

Tax-free amount	Degressive. Depending on the tax base it amounts to: ▪ PLN 1,440 for the tax base not exceeding PLN 8,000 ▪ between PLN 556.02 and PLN 1,440 for the tax base above PLN 8,000 to PLN 13,000 ▪ PLN 556.02 for the tax base above PLN 13,000 to PLN 85,528 ▪ between PLN 0 and PLN 556.02 for the tax base above PLN 85,528 to PLN 127,000 ▪ PLN 0 if the tax base exceeds PLN 127,000
Tax liability	
Unlimited	natural persons abiding in Poland more than 183 days a year or having the centre of their personal or business activities in Poland
Limited	natural persons, neither abiding in Poland more than 183 days a year nor having the centre of their personal or business activities in Poland
Income categories	Income from 1. Special branches of agriculture 2. Employment 3. Contruactual employment 4. Self employment (business acitivity) 5. Capital and property rights 6. Rents 7. Non-business speculative transactions 8. Business of the Controlled Foreign Corporation 9. Other sources
Accounting	Double-entry bookkeeping Small businesses and the self-employed: receipts and payments accounting Obligation to maintain books and records in accordance with Polish accounting regulations if the turnover of the previous year was at least EUR 2 million
Loss set-offs	Only possible within income categories
Loss carryforwards	Losses can be carried forward for a maximum of 5 years, with a maximum entitlement of 50% per annum (and generally only as part of commercial activity)
Operating expenses	Expenses of the business
Business expenses	Expenses incurred in connection with the generation of income, maintaining or securing the source of income
Flat rate tax	Option for income from self-employment to be taxed at flat rate of 19%. Application for flat-rate taxation must be filed at the latest by 20 January of the relevant tax year, and for business start-ups during the year.

Passenger cars	Depreciation: 20% straight-line 100 % of VAT deductible if the car is used exclusively for business purposes (relevant strict evidence required). If used for business and private purposes and/or no evidence is maintained – 50 % deductible. The remaining 50 % part of input VAT is tax deductible cost in corporate income tax via depreciation write-offs. Depreciation and insurance costs of cars attributable to acquisition cost in excess of EUR 20,000 not deductible as business expense
Withholding tax	Where liability to tax is limited, withholding tax of 19% or 20% is deducted. A lower rate may be provided by the applicable DTA. Application of the reduced rate requires possession of a tax residence certificate
Interest	20% or applicable DTA
Royalties	20% or applicable DTA
Dividends	19% or applicable DTA
Minimum Personal Income Tax	▪ Miminum income tax applies to owners of commercial real estates located in Poland whose value exceeds PLN 10 million ▪ PIT as regards revenues derived from this commercial real estate ▪ Tax rate: 0.035 % monthly of the tax base being the initial value of the commercial building

Filing dates and deadlines

Personal income tax return	Deadline for filing annual tax declaration – 30 April of the following year Monthly income tax payments must be made during the year. Payments must be made by the 20th of the following month (e.g. 20 February for January). Small and start-up businesses may pay quarterly. Advance payments may not be done if their amount does not exceed PLN 1,000.
Corporate income tax return	Deadline for filing annual tax declaration: 31 March of the following year; if the tax year differs from the calendar year, by the last day of the third month following the end of the tax year. Monthly corporate income tax payments must be made during the year. Payments must be made by the 20th of the following month (e.g. 20 February for January). Small and start-up businesses may pay quarterly.
VAT return	Monthly declarations must be filed by the 25th of the following month (e.g. 25 February for January); quarterly declarations are possible only for small taxpayers; no annual tax declaration. Generally, taxpayers must file VAT returns electronically (and sign them with a secure electronic signature issued by an authority in Poland).

Other taxes

Business tax		no
Wealth tax		no
Tax on civil law transactions		In general levied alternatively to VAT (if no VAT imposed)
	Most important taxable transactions and rates	▪ Sales (exchange) of land, movable assets, hereditable beneficial interests: 2 % ▪ Sales (exchange) of other property interests (e.g. shares): 1 % ▪ Articles of association and changes (e.g. increases in share capital, additional payments of shareholders): 0.5 % ▪ Loan agreements: 2 %
	Basis of assessment	Fair market value of the goods / property rights (when sold / exchanged), the amount of the increase in the share capital

Tax regulations

Advance rulings	Yes, possible for all tax matters of all taxable persons (both currently taxable and potentially taxable)
Penalties for late payment	Penalty for delay: 8 % pa. (lower penalty interest of 4 % pa. or higher penalty interest of 12 % pa. – may be applied in certain cases)
Criminal provisions	Fiscal Penalties Act Penalties for negligent tax evasion: fines Penalties for deliberate tax evasion: fines or imprisonment

Tax and other concessions

Tax concessions for individuals	▪ Spouse / single parent: income is aggregated and divided by two. Progressive rates of tax are then applied to the two individual amounts (separate assessment – tax advantage with higher income) ▪ Refund of relocation costs resulting from work and reimbursement of relocation costs (up to 200 % of one month's salary) ▪ Annual child allowance: One child: PLN 1,112.04 (EUR 265) pa. however the right depends on the level of parents' income Two children: PLN 1,112.04 (EUR 265) pa. for each child Third child: PLN 1,668.12 (EUR 397) pa. Fourth and the next child: PLN 2,224.08 (EUR 530) pa. ▪ Reimbursement of travel expenses
Tax concessions for entrepreneurs	Business activities in special economic zones can be (with special permissions) exempt from corporate income tax on application: amount dependent on volume of investment or number of new jobs created
	Costs of investments in new technologies entered into books until the end of 2015 can be deducted from taxable income in the proceeding years. At the beginning of 2016 concession for new technologies was replaced by new concession for research and development activities, stated in Article 18d of the Polish CIT Act. It allows the taxpayers to decrease the tax base by the amount of qualified costs connected with R&D. At the beginning of 2017, the catalog of qualified costs has been extended with the costs associated with obtaining a patent, protection right to a utility model and the right resulting from the registration of an industrial design (this regulation applies to micro, small and medium-sized enterprises). From 2018 onwards, the R&D concession was further liberalised to include 100 % of all quailified costs, or even 150 % for R&D centres. The catalogue of qualified costs now included i.a. civil law contracts. Taxpayers operating in Special Economis Zones may make use of the R&D concession, but are due to limitations.
Other concessions (grants)	Grants supporting job creation in Poland Investment grants

Immovable property

Tax depreciation		
	Straight-line	Rates specified in the appendix to the income tax acts
	Additional	In case of permanent impairment losses (not allowable for tax purposes)
Depreciation categories		
	Land	No depreciation
	Buildings	Depreciation rates: 1.5 – 10 %. In certain cases under some conditions, depreciation rates may be increased even by a factor of 1.4
	Machinery and equipment	Depreciation rates: 7 – 25 %. In certain cases, depreciation rates may be increased even by a factor of 2.0
Special allowances		100 % depreciation of low value assets with cost of acquisition up to PLN 10,000
Write-ups		Possible
Property transfer tax		None. The acquisition of real estate is however liable to the tax on civil law transactions ▪ Sale of property or beneficial interests therein: 2 % ▪ Basis of assessment: market value
Real estate tax		
	Objects of taxation	Land, buildings and other constructions in Poland
	Basis of assessment	▪ Land: area ▪ Buildings and their parts: useable area ▪ Other constructions and their parts: gross book value as at 1 January in the tax year

Immovable property

	Amount of tax	Application of a tax rate determined by local government authorities; the statutory maximum rates may not be exceeded
	Maximum tax rates	▪ Land used for commercial purposes: PLN 0.89 / m² ▪ Residential buildings or parts of residential buildings: PLN 0.75 / m² ▪ Commercial buildings or parts of commercial buildings: PLN 22.66 / m² ▪ Other constructions: 2 % of the basis of assessment
Real estate funds		No special regulations, normal provisions
Minimum Income Tax		▪ Miminum income tax applies to owners of commercial real estates located in Poland whose value exceeds PLN 10 million ▪ Income tax as regards revenues derived from this commercial real estate ▪ Tax rate: 0.035 % monthly of the tax base being the initial value of the commercial building

Social insurance

Scope of insurance		Statutory health, accident, pension, disability and sickness remuneration insurance for all gainfully employed persons
Contribution rates and ceilings		Contribution rates fixed, contribution ceiling for pension and invalidity insurance: PLN 133.290
Self-employed persons		
	Sickness income insurance	2.45 %
	Pension insurance	19.52 %
	Disability insurance	8 %
	Accident insurance	0.67 – 3.60 %
	Competent authority	The local ZUS (Polish Social Insurance Institution) offices are responsible for the collection of contributions
	Applicable law	Law of 13 October 1998 governing social insurance Special provisions for start-up businesses
Employed persons		
	Sickness remuneration insurance	2.45 % (100 % employee)
	Pension insurance	19.52 % (50 % employee)
	Disability insurance	8 % (18.75 % employee)
	Accident insurance	0.67 – 3.60 % (100 % employer)
	Competent authority	The local ZUS offices are responsible for the collection of contributions
	Relevant law	Law of 13 October 1998 governing social insurance

	Other provisions	There are also Labour Fund (2.45 %) and other incidental contributions (e.g. Guaranteed Employee Benefits Fund, 0.10 %), and other voluntary supplementary assurance.

Health insurance

Scope of insurance	All gainfully employed persons
Contribution rate	9 % (7.75 % of the contribution base directly deductible from income tax)
Applicable law	Act of 27 August 2004 on public health care services

General managers

Civil and commercial law		Contract of employment, contract for services, appointment by shareholders' resolution, etc.
Social insurance		Engaged on the basis of a resolution of the shareholders in general meeting: no liability to pay Polish social and health insurance Contract of employment or contract for services: social and health insurance Liability to pay social and health insurance only if no exemption in Poland
Income tax		Employees: 20 % flat-rate taxation; applies only to those with limited liability to tax if their engagement is based on a resolution of the shareholders in general meeting or on management agreements. Optionally, income may be taxed at the flat rate, otherwise the standard income tax rates apply Concession for self-employed: provided the necessary requirements are satisfied, flat-rate income tax of 19 % can be applied
VAT		
	Employee	no VAT
	Self-employed	VAT, with right to reimbursement (certain restrictions apply)
Work permit		For general managers from EU no work permit is required For self-employment no work permit is required
Residence / settlement permit		Not required for EU citizens. Registration required in the case of a stay of more than three months, unless the executive officer remains resident in another EU country and regularly returns there
Liability		For outstanding tax liabilities, etc.
Minimum remuneration		Appropriate remuneration

VAT

Tax rates	Standard rate: 23 % Reduced rate of 8 %, e.g. for: ▪ Some fruits and vegetables being processed and preserved, or sliced and packaged, water (incl. distribution of water), textiles, specialist equipment, healing products in the official register, hotel services and passenger transport Reduced rate: 5 % ▪ Mainly foodstuffs Reduced rate: 0 %, e.g. for: ▪ Export of goods ▪ Supply of goods within the European Community ▪ Services directly connected with the export of goods ▪ International transport services	
Supply of goods (section 7 VAT Act)	Supplies of goods effectuated in Poland are VATable	
Place of supply of goods	Where the goods are dispatched or transported by the supplier or purchaser or a third party, the place where the goods were situated at the beginning of their journey to the purchaser Where the goods are neither dispatched nor transported, the place where they are situated at the time of supply	
Supply of services (section 8 VAT Act)	Supplies of services effectuated in Poland are VATable	
Place of supply of services	From 1 January 2010 a differentiation is made between services rendered ▪ to taxable persons („Business to Business", „B2B") or ▪ to non-taxable persons („Business to Customer", „B2C"). For purposes of determining the place of the supply of services, ▪ taxable persons and ▪ non-taxable legal entities holding a VAT registration number will be considered as „taxable persons".	
▪ Basic rule	**B2B**	**B2C**
	Place of recipient (The place where the recipient of services has established his business)	Place of supplier (The place where the supplier of services has established his business)
▪ Special cases	**B2B**	**B2C**
Supplies of services by intermediaries	Place of recipient (basic rule)	Place of the underlying transaction
Property services	Place of the property	Place of the property
Cultural, artistic, scientific, educational, sports, entertainment or similar services, like services in connection with fairs and exhibitions including services of the respective organizers	Place of recipient (basic rule)	Where the services are physically carried out
Other services concerning the right of admission and related other services for events like fairs and exhibitions	Place of the event	Where the services are physically carried out
Passenger transport	Distances covered	Distances covered
Transportation of goods (without intra-community portion)	Place of recipient (basic rule) some exemptions may apply	Distances covered
Intra-community goods transportation	Place of recipient (basic rule)	Place of departure of the transport
Ancillary transport services	Place of recipient (basic rule)	Where the services are physically carried out
Appraisal and processing of movable tangible objects	Place of recipient (basic rule)	Where the services are physically carried out
Restaurant and catering services	Where the services are physically carried out	Where the services are physically carried out
Restaurant and catering services in connection with intra-community passenger transport	Place of departure	Place of departure
Hiring of means of conveyance for up to 30 days	Where the means of transport is actually put at the disposal of the customer	Where the means of transport is actually put at the disposal of the customer
Hiring of means of conveyance for over 30 days	Place of recipient (basic rule)	Place of recipient Exception: place of disposal in case of recreational ships if service is rendered from the place of residence of service provider
"Listed services" to third country customers	Place of recipient (basic rule)	Where non-taxable person is established
Telecom, radio, TV services provided from third country	Place of recipient (basic rule)	Where non-taxable person is established (if the place of utilization is in this country) Place of recipient
Electronically supplied services from third country	Place of recipient (basic rule)	Place of recipient; MOSS implemented

VAT

Reverse Charge (reversal of tax liability)		For certain supply of goods and supply of services as well as for intra-community goods acquisitions
	Requirements	The supplier of the service has no domestic domicile or habitual abode, nor a domestic fixed establishment involved in supplying the service (or effectuating the supply)
	Consequences	Invoice without VAT, indication of the reverse charge, VAT identification numbers of the supplier and the recipient The recipient owes the VAT.
Tax exemption		Differentiation concerning 0 % tax rate or tax exemption
	0 % (Input VAT deduction is applicable)	▪ Export of goods ▪ Intra-community supply of goods ▪ Services directly connected with the export and international transport of goods – international transport services and other services stated in Article 83 of Polish VAT Act
	VAT exemption (Input VAT deduction is not applicable)	▪ Supply of used goods (without deduction of input VAT) ▪ Certain financial mediation services ▪ Educational services ▪ Research and development service ▪ Health care services ▪ Sale of land not purposed for development
Input VAT deduction		VAT invoiced to the business for the supply of goods and services Refund: Generally within 60 days after filing the VAT return. In some cases tax refund within 180 days or under certain conditions within 25 days (most importantly, all invoices must be paid through a bank account).
Real estate		
	Rent	Renting is subject to VAT in any case.
	Sale	Liable either to VAT or to the tax on civil law transactions. The latter is payable where there is VAT exemption. In the case of VAT exemption an election for VAT liability is possible (various requirements to be met).
Leasing		Different definitions in civil law and tax legislation
	Operating leasing	Supply of services
	Financial leasing	Supply of goods
Input VAT refund for Polish taxable persons within the EU		Electronic application to be made by the Polish taxable person at its competent Polish tax office at the latest by 30 September of the following year. After approval of the application (within 120 days) refund to be made within 10 days.
		Filing of original invoices is only necessary if required by fiscal authorities of the respective member state. Minimum amount of refundable input VAT: EUR 400 (EUR 50 if the refund period coincides with the calendar year)
Foreign taxable persons		Taxable persons without domicile or permanent establishment in Poland and without sales in Poland
	Registration	Registration generally is required if sales are effectuated in Poland (some exemptions apply)
	Input VAT refund for taxable persons domiciled in the EU	Electronic application at the competent tax office in the EU member state (originating country) of the taxable person.
	Input VAT refund for taxable persons not domiciled in the EU	Refund must be applied at the latest on 30 September of the following year (II Urząd Skarbowy Warszawa Śródmieście) Official forms, accompanied by original invoices Minimum refundable amount: EUR 400 (EUR 50 if refund period coincides with the calendar year)

Mergers & Acquisitions

Financing		
	Financial assistance by the subsidiary	Generally, financial assistance is not forbidden in Poland, only in some fields financial assistance is restricted to professional, specialized entities (e.g. stockbroking, some financial services rendered by banks, etc.)
	Subordinated debt (mezzanine capital)	The use of subordinate debt is allowed.
	Interest expense for acquisition of shares	Interest expense in connection with share acquisition is generally tax deductible.
	Interest expense for subordinate debt (mezzanine capital)	Interest is not tax deductible.
	Acquisition debt push down and deductibility of interest on such debt	Interest is not tax deductible.
Squeeze-out options		
	Possibility to exclude minority shareholders	Applies to joint stock corporations only: shareholders' resolution to buy out ▪ not more than 5 % of the stock ▪ held by not more than 5 shareholders made by shareholders ▪ holding not less than 95 % of the stock ▪ whereas each of them holds not less than 5 %

Capital gains – corporations and partnerships	
Sale of shares in a joint stock corporation	Income subject to CIT taxation - constitutes a separate source of income which may not be set-off against other sources.
Sale of shares in a limited liability company	Income subject to CIT taxation - constitutes a separate source of income which may not be set-off against other sources.
Sale of interest in a partnership	Generally, all rights and obligations of a partner in a partnership may be transferred to another person only where the articles of association provide so. The income from sale of ownership interest in a limited partnership is subject to standard CIT taxation.
International participation exemption	No exemption for capital gains.
Sale of business	
Definition	Sale of the business is possible. The component parts of the business include tangible and intangible assets, property rights, accounting records.
Accounting and tax treatment	During a sale of a business (enterprise or its organized divisions), the transferred assets (fixed assets and intangible assets) are taken over by the buyer at the: ▪ fair market value – if goodwill arises; ▪ difference between the purchase price and the value of assets other than fixed assets and intangible assets – if no goodwill arises.
Goodwill	If the purchase price of the business (enterprise or its organised divisions) exceeds the fair market value of individually valued assets, a goodwill is recorded.
Goodwill amortization	Goodwill may be amortized for tax and financial accounting purposes over 5 years (the amortizaton period can, however, be prolonged; the amortization period for financial accounting purposes is max. 20 years).
Mergers	
Types of mergers described by commercial law	Merger by acquisition (upstream, downstream), merger by formation of a new company, division, division by spin-off.
Valuation	The accounting requirements for mergers apply both to the merger of two independent legal persons and to the purchase of an independent part of a business of a legal person with subsequent merger. Generally, revaluation at market values is required. It is permissible to take over the carrying values (without revaluation) in a merger where control by the original shareholder does not disappear, in particular, in the merger of fellow subsidiaries, or in the case of parent-subsidiary mergers.
Accounting treatment of valuation	Assets and liabilities of the acquired company are recorded at fair value, and the remaining difference to the purchase price is recognized as positive / negative goodwill. Negative goodwill is limited to the fair value of fixed assets taken over (long-term financial assets are excluded from this calculation).
Goodwill amortization	For financial accounting purposes – over 60 months (in special cases up to 20 years). For tax purposes goodwill can be amortized only if it was created as a result of purchase of a business (enterprise or its organized divisions).
Tax consequences of valuation	In the case of mergers there is no revaluation of assets for tax purposes.
Contributions (transfer of assets into the capital of a company)	
Contribution in kind	The articles of association shall specify in detail the subject of the contribution, its value as well as the number and nominal value of the shares acquired by the shareholder for such a contribution.
Tax treatment	Revaluation of individual assets contributed in kind is possible. The depreciation of assets contributed in this way is basically tax deductible.
Goodwill amortization	For financial accounting purposes – over 60 months (in special cases up to 20 years). For tax purposes goodwill is subject to amortization only if it was created as a result of purchase of a business (enterprise or its organized divisions).

Double Taxation Agreements (DTAs)

The right to taxation in the event of sale of interests in property companies is subject to differing provisions. In accordance with the OECD Model Agreement, for those countries for which there is a "yes" in the real estate clause column the right to taxation in the case of share deals lies not with the country of residence of the vendor but with the country in which the property is situated.

Country	*Effective date or signature*	*Real estate clause*	*Dividends %*	*Interest %*	*Royalties %*
Albania	27.06.1994	no	5/10	10	5
Armenia	27.02.2005	yes	10	5	10
Azerbaijan	20.01.2005	yes	10	10	10
Australia	04.03.1992	yes	15	10	10
Austria	01.04.2005	yes	5/15	0/5	5
Belarus	30.07.1993	no	10/15	0/10	0
Belgium	29.04.2004	yes	5/15	0/5	0/5
Bosnia & Hercegovina	04.06.2014	yes	5/15	10	10
Bulgaria	10.05.1995	no	10	0/10	5
Canada	30.10.2013	yes	5/15	10	5/10

Double Taxation Agreements (DTAs)

Country	*Effective date or signature*	*Real estate clause*	*Dividends %*	*Interest %*	*Royalties %*
Chile	01.01.2004	no	5/15	15	5/15
China	07.01.1989	no	10	0/10	7/10
Croatia	11.02.1996	yes	5/15	0/10	10
Cyprus	07.07.1993	no	0/5	5	5
Czech Republic	13.06.2012	no	5	5	10
Denmark	31.12.2002	yes	0/5/15	0/5	5
Egypt	01.01.2002	yes	12	12	12
Ethiopia	13.07.2015	yes	10	10	10
Estonia	09.12.1994	no	5/15	0/10	10
Finland	08.06.2009	yes	5/15	5	5
France	12.09.1976	yes	5/15	0	0/10
Georgia	01.01.2007	yes	10	8	8
Germany	19.12.2004	yes	5/15	0/5	5
Greece	28.09.1991	no	19	10	10
Hungary	10.09.1995	no	10	0/10	10
Iceland	20.06.1999	yes	5/15	0/10	10
India	26.10.1989	yes	10	0/10	15
Indonesia	25.08.1993	no	10/15	0/10	15
Ireland	22.12.1995	yes	0/15	0/10	0/10
Israel	30.12.1991	yes	5/10	5	5/10
Italy	26.09.1989	no	10	0/10	10
Japan	23.12.1982	no	10	0/10	0/10
Kazakhstan	13.05.1995	yes	10/15	0/10	10
Kuwait	25.04.2000	no	0/5	0/5	15
Latvia	30.11.1994	yes	5/15	0/10	10
Lithuania	19.07.1994	yes	5/15	0/10	10
Luxembourg	11.07.1996	yes	0/15	5	5
Macedonia	01.01.2000	no	5/15	10	10
Malaysia	05.12.1978	no	0	0/15	0/15
Malta	24.11.1994	yes	0/10	5	5
Mexico	01.01.2003	yes	5/15	10/15	15
Moldavia	01.01.1996	yes	5/15	10	10
Montenegro	01.01.1999	no	5/15	10	10
Morocco	01.01.1997	yes	7/15	10	10
Netherlands	18.03.2003	no	5/15	0/5	5
New Zealand	01.01.2007	yes	15	10	10
Norway	09.09.2009	yes	0/15	5	5
Philippines	07.04.1997	yes	10/15	0/10	15
Portugal	04.02.1998	no	10/15	0/10	10
Romania	15.09.1995	no	5/15	0/10	10
Russia	22.02.1993	no	10	0/10	10
Saudi Arabia	01.06.2012	yes	0/5	0/5	0/10
Singapore	04.11.2012	yes	0/5/10	0/5	2/5
Slovakia	21.12.1995	yes	0/5	0/5	5
Slovenia	10.03.1998	no	5/15	0/10	10
Spain	06.05.1982	yes	5/15	0	0/10
South Africa	05.12.1995	no	5/15	0/10	10
South Korea	21.02.1992	no	5/10	0/10	5
Sweden	15.10.2005	yes	5/15	0	5
Switzerland	25.09.1992	yes	0/15	5	5
Thailand	13.05.1983	no	20	0/10	5/15
Tunisia	15.11.1993	no	5/10	12	12
Turkey	01.10.1996	no	10/15	0/10	10
Ukraine	11.03.1994	yes	5/15	0/10	10
United Kingdom	27.12.2006	yes	0/10	0/5	5
USA	23.07.1976	yes	5/15	0	10
UAE	21.04.1994	yes	0/5	0/5	5

TPA locations

TPA has 12 offices in Austria. Furthermore we are present in the following 10 countries in Central and South Eastern Europe: Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia and Slovenia.

All our offices and contact persons can be accessed at:

www.tpa-group.com

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Editor: Remigiusz Fijak, E-Mail: service@tpa-group.com;
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