

Tax system in Poland

TYPES OF ORGANISATIONS

Types of organisation

	Name in local language	Registration in commercial register / legal entity	Minimum capital	Sole shareholder corporation
Limited liability company	Spółka z ograniczoną odpowiedzialnością	yes / yes	PLN 5,000 Nominal value of the share not lower than PLN 50	yes, except for shareholder being one-person limited liability company
Joint stock company	Spółka Akcyjna	yes / yes	PLN 100,000	yes, except for shareholder being one-person limited liability company
Simple joint-stock company	Prosta Spółka Akcyjna	yes/yes	PLN 1,00	yes, except for shareholder being one-person limited liability company
Cooperative (with limited liability)	Spółdzielnia	yes / yes	no	no / at least 10 members or 3 members if they are legal persons; for agricultural cooperative - at least 5 members
General 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	no
Professional Partnership	Spółka partnerska	yes / no	no	no
Registered branch office	Oddział	yes / no	no	-
Permanent establishment	Zakład	no / no	no	-

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	Capital tax / registration fees	Written form / notarization	Tax transparency	Registration with tax authorities	Statutory audit (revenues EUR 5 million or more, total assets EUR 2.5 million or more, 50 or more employees)
Limited liability company	0.5% TCLT / registration in commercial register	yes / yes	no	yes	if at least two of above conditions are met
Joint stock company	0.5% TCLT / registration in commercial register	yes / yes	no	yes	obligatory
Simple joint-stock company	no / registration in commercial register	yes / yes	no	yes	if at least two of above conditions are met
Cooperative (with limited liability)	no / registration in commercial register	yes / no	no	yes	if at least two of above conditions are met
General partnership	0.5% TCLT / registration in commercial register	yes / no	basically yes / non-transparency in certain circumstances	yes	if at least two of above conditions are met
Limited partnership	0.5% TCLT / registration in commercial register	yes / yes	no	yes	if at least two of above conditions are met
Partnership limited by shares	0.5% TCLT / registration in commercial register	yes / yes	no	yes	if at least two of above conditions are met
Professional Partnership	0.5% TCLT / registration in commercial register	yes / no	yes	yes	if at least two of above conditions are met
Registered branch office	no / registration in commercial register	-	-	yes	as part of audit of parent company
Permanent establishment	no / -	-	-	yes	as part of audit of parent company

Exchange rate: EUR 1 = PLN 4.5 (EUR amounts rounded)

DOUBLE TAXATION AGREEMENTS

Double taxation agreements

The right to taxation in the event of a 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 lies generally not with the country of residence of the seller but with the country in which the property is situated.

As regards withholding tax rates, a possible reduction must be taken into account when EU Directives (Parent-Subsidiary Directive, Interest and Royalties Directive) are applicable. These cases have not been included here.

A number of the Double Taxation Agreements include an exemption for interest in the case of government / State (or related) loans. These cases have not been included here.

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Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Albania	27.06.1994	no	5/10	10	5
Algeria	31.01.2000	no	5/15	10	10
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	5	5
Bangladesh	28.01.1999	yes	10/15	10	10
Belarus	31.07.1993	no	10/15	10	0
Brasil	not yet	yes	10/15	10/15	10/15
Belgium	29.04.2004	yes	10	5	5
Bosnia & Hercegovina	07.03.2016	yes	5/15	10	10
Bulgaria	10.05.1995	yes	10	10	5
Canada	30.10.2013	yes	5/15	10	10
Chile	30.12.2003	no	5/15	15	5/15
China	07.01.1989	no	10	10	10
Croatia	11.02.1996	yes	5/15	10	10
Cyprus	09.11.2012	no	0/5	5	5
Czech Republic	13.06.2012	no	5	5	10
Denmark	25.11.2010	yes	0/5/15	5	5
Egypt	16.07.2001	yes	12	12	12
Ethiopia	14.02.2018	yes	10	10	10
Estonia	09.12.1994	yes	5/15	10	10
Finland	11.03.2010	yes	5/15	5	5
France	12.09.1976	yes	5/15	0	10
Georgia	31.08.2006	yes	10	8	8
Germany	19.12.2004	yes	5/15	5	5
Greece	28.09.1991	no	-	10	10
Hungary	10.09.1995	no	10	10	10
Iceland	20.06.1999	yes	5/15	10	10
India	26.10.1989	yes	10	10	15
Indonesia	25.08.1993	yes	10/15	10	15
Ireland	22.12.1995	yes	0/15	10	0/10
Iran	01.12.2006	yes	7	10	10
Israel	30.12.1991	yes	5/10	5	5/10
Italy	26.09.1989	no	10	10	10
Japan	23.12.1982	yes	10	10	0/10

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Jordan	22.04.1999	no	10	10	10
Kazakhstan	13.05.1995	yes	10/15	10	10
Kyrgyzstan	22.06.2004	yes	10	10	10
Kuwait	25.04.2000	no	0/5	5	15
Latvia	30.11.1994	yes	5/15	10	10
Lebanon	07.11.2003	no	5	5	5
Lithuania	19.07.1994	yes	5/15	10	10
Luxembourg	30.07.1996	yes	0/15	5	5
Macedonia	17.12.1999	no	5/15	10	10
Malaysia	05.12.1978	yes	5	10	8
Malta	24.11.1994	yes	10	5	5
Mexico	06.09.2002	yes	5/15	10/15	10
Moldavia	27.10.1995	yes	5/15	10	10
Mongolia	21.07.2001	yes	10	10	5
Montenegro	17.06.1998	no	5/15	10	10
Morocco	23.08.1996	yes	7/15	10	10
Netherlands	18.03.2003	yes	5/15	5	5
New Zealand	16.08.2006	yes	15	10	10
Nigeria	12.02.1999	yes	10	10	10
Norway	25.05.2010	yes	0/15	5	5
Pakistan	24.11.1975	no	15	0	15/20
Philippines	07.04.1997	yes	10/15	10	15
Portugal	04.02.1998	yes	10/15	10	10
Romania	15.09.1995	no	5/15	10	10
Russia	22.02.1993	yes	10	10	10
Saudi Arabia	01.06.2012	yes	5	5	10
Serbia	17.06.1998	yes	5/15	10	10
Singapore	06.02.2014	yes	5/10	5	2/5
Slovakia	21.12.1995	yes	0/5	5	5
Slovenia	10.03.1998	yes	5/15	10	10
Spain	06.05.1982	yes	5/15	0	10
South Africa	05.12.1995	yes	5/15	10	10
South Korea	21.02.1992	yes	5/10	10	5
Sri Lanka	14.06.2019	yes	10	10	10
Syria	23.12.2003	no	10	10	18
Sweden	15.10.2005	yes	5/15	0	5
Switzerland	25.09.1992	yes	5/15	10	10
Tajikistan	24.06.2004	yes	5/15	10	10

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Thailand	13.05.1983	no	20	10	5/15
Taiwan	30.12.2016	yes	10	10	3/10
Tunisia	15.11.1993	yes	5/10	12	12
Turkey	01.04.1997	no	10/15	10	10
Ukraine	11.03.1994	yes	5/15	10	10
Uzbekistan	29.04.1995	no	5/15	10	10
United Kingdom	27.12.2006	yes	0/10	5	5
USA	23.07.1976	no	5/15	0	10
UAE	21.04.1994	yes	5	5	5
Vietnam	20.01.1995	yes	10/15	10	10/15
Zimbabwe	28.11.1994	yes	10/15	10	10
Qatar	28.12.2009	no	5	5	5

MERGERS & ACQUISITIONS

Financing

Financial assistance by the subsidiary

No particular restrictions with respect to loans or guarantees granted by the subsidiary to the parent company

Subordinate debt (mezzanine capital)

The use of subordinate debt is allowed.

Interest expenses for acquisition financing

Generally tax deductible, subject to interest barrier.

However, no deductibility when it comes to acquisitions within the group and for interest payments in case of use of 'debt-push-down' mechanism in restructuring.

Interest expense on subordinate debt

Generally deductible, subject to interest barrier.

EU interest barrier

An interest surplus (excess of tax-deductible interest expenses over taxable interest income of a tax year) is only deductible to the extent of either: (a) 30% of tax EBITDA or (b) PLN 3 million - depending on which is higher.

Squeeze-out options

Buy-out of minority shareholders (squeeze-out)

Possible where there is an interest of shareholders having at least 90% in the share capital of subsidiary company belonging to a group (if so, applicable to both joint stock companies and limited liability companies), even if minority shareholders dissent

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Capital gains – corporations and partnerships

Sale of shares in a joint stock corporation

The gain of legal entities on the sale of shares in a joint stock company in general is taxable income (source of income: investment). For Polish holding companies possible tax exemption of gains from disposal of shares of controlled company to unrelated party in certain circumstances.

Sale of shares in a limited liability company

The gain of legal entities on the sale of shares in a limited liability company in general is taxable income (source of income: investment). For Polish holding companies possible tax exemption of gains from disposal of shares of controlled company to unrelated party in certain circumstances.

Sale of interest in a partnership

The gain on the sale of an ownership interest in partnership is normally taxable income either for limited or general partners.

International participation exemption

For Polish holding companies possible tax exemption of gains from disposal of shares of controlled company (Polish or foreign) to unrelated party in certain circumstances.

Sale of business

Definition

Sale of the business by individual sale of assets and liabilities ("asset deal") is possible.
In particular special labor law regulations have to be observed if employment contracts are to be transferred.

Valuation

For the sale of individual assets, the acquisition cost principle is applicable. The total purchase price is allocated to individual assets and liabilities at fair value, the difference constitutes goodwill. Badwill is not allowed for tax purposes.

Goodwill

For tax purposes, goodwill may generally be amortized linearly for minimum 5 years.

Mergers and demergers

Types of mergers described by commercial law

Merger by acquisition, merger by formation of a new company, demergers.

Valuation

For financial accounting purposes

Valuation in financial accounting

Method 1 – share pooling method; assets and liabilities are recognized at carrying values, with difference possibly recognized as surplus on reorganization.
Method 2 – purchase method; assets and liabilities of the acquired company are recorded at fair value, the difference is recorded as goodwill; assets and liabilities of the acquiring company remain basically unchanged.

Goodwill amortization

Goodwill is subject to tax amortization only if it came out as a result of purchase / financial leasing of a business. Otherwise tax amortization is not possible.

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Tax treatment of revaluation

Revaluation of assets and goodwill amortization applied with the Accounting Act are irrelevant for tax purposes.

Contributions (transfer of assets into the capital of a company)

Contributions in kind

In general, the contribution of assets is allowed. Provision of work or services as well as inalienable rights cannot be contributed.

Tax treatment

The exchange of individual assets against an interest in the company is treated like a purchase and sale transaction (at market value). Specifically, transaction expenses (e.g. property transfer tax and registration fees) and possible VAT ramifications should be taken into account.

A tax-neutral contribution in kind is generally possible in the case of the contribution of businesses and commercialized intellectual properties.

Goodwill amortisation

Goodwill is subject to tax amortization only if it came out as a result of purchase / financial leasing of a business. Otherwise tax amortization is not possible.

VAT

Tax rates

Standard rate: 23%

Reduced 8% rate, e.g. for certain food products (coffee, tea, maté, spices, sugar, pastry, flour, sauces, gelatine etc.), certain restaurant and catering services, goods and services related with agriculture incl. plants, living animals and fertilizers, medicines and medical products, newspapers, certain municipal services, passenger transport services, lodging services, certain repair services, certain services regarding cultural and leisure activities;

Subject to 8% rate is also sales of residential estates with regard to their floorage of up to 150 m² (flats) and 300 m² (buildings) as well as maintenance works regarding those estates;

Reduced 5% rate, e.g. for books, e-books, local newspapers, sheet music and cartographic products, disks and data carriers, tampons, pads, diapers, pacifiers, car seats for children.

Supply of goods

Supply of goods and private use (self-supply) are taxable, as far as there are no exceptions

Place of supply of goods

In principle, wherever the object is situated at the time the power to dispose of the goods is acquired (static supply);

In the case of transport or dispatch by purchaser or supplier, where transport or dispatch begins (moving supply);

In the case of goods installed or assembled by the supplier, where installation or assembly takes place (supply with assembly);

Import from third countries: if supplier is liable for import VAT, his supply of goods is taxable in importing country;

Delivery during passenger transport by water, air or rail within the EU: point of departure;

Special provisions for chain and triangular transactions.

Supply of services

Supply of services and private use / supply of services without consideration (self-supply) are taxable, as far as there are no exceptions

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Place of supply of services

A differentiation is made between services rendered

- (a) to taxable persons ("Business to Business", "B2B") or
- (b) to non-taxable persons ("Business to Customer", "B2C").

Basic rule

B2B	B2C
Place of recipient (the place where the recipient of services has established its business, meaning its residency or so called fixed establishment if located elsewhere)	Place of supplier (the place where the supplier of services has established its business, meaning its residency or so called fixed establishment if located elsewhere)

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 relate to events that are transmitted or otherwise made available virtually - place where the non-taxable entity for which the services are provided has its registered office, permanent address or usual place of residence; otherwise - place where the services are carried out
Admission and other related services for events like fairs and exhibitions	In case the attendance is not virtual - place where these events actually take place; otherwise - place of recipient (basic rule)	Where the services relate to activities that are transmitted or otherwise made available virtually - place where the non-taxable entity for which the services are provided has its registered office, permanent address or usual place of residence; otherwise - place where the services are physically carried out
Passenger transport	Place where transport takes place, taking into account the distances covered	Place where transport takes place, taking into account the distances covered
Transportation of goods (without intra-community portion)	Place of recipient (basic rule); specific rules: (a) where transport is wholly performed within Poland for the taxpayer established outside the EU - services taxable in Poland; (b) where transport is wholly performed outside the EU for taxpayer established in Poland - services taxable outside the EU.	Distances covered; specific rule for the purpose of application 0% VAT rate in Poland for international transport by sea or air
Intra-community goods transportation	Place of recipient (basic rule)	Place of departure
Ancillary transport services	Place of recipient (basic rule)	Where the services are physically carried out

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	B2B	B2C
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
Renting of means of transport 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
Renting of means of transport for over 30 days	Place of recipient (basic rule)	Place of recipient Special regulations for renting pleasure boats
"Listed services" to third country customers	Place of recipient (basic rule)	Place of recipient
"Listed services" to customers in the EU	Place of recipient (basic rule)	Place of supplier (basic rule)
Electronically supplied services, such as telecom, radio and TV services	Place of recipient (basic rule)	Place of recipient; as of January 1, 2019: place of supplier in case the total revenue does not exceed the amount of EUR 10,000 in certain circumstances

Mini-One-Stop-Shop (MOSS) / One-Stop-Shop (OSS)

Currently taxable persons from an EU member state or third country – who provide electronically supplied services, telecom, radio and TV services to consumers within the EU – can, subject to certain conditions, make use of simplifications within the MOSS system. The taxable person will thereby only be registered for VAT purposes in the member state where the headquarters of the economic activity and/or fixed establishment are located.

As of July 1, 2021 a registration in the country of destination is not required anymore for the following services, because sales can be declared in one member state of the EU via the One-Stop-Shop (OSS) and VAT can be paid in a centralized way:

(a) B2C services taxable in the country of their use

(b) Supplies to consumers: turnover threshold is eliminated

(c) Imports to consumers: Import One-Stop-Shop (IOSS) is applicable for imports to consumers for goods with value of up to EUR 150; tax exemption for imports of goods with value of up to EUR 150.

Platforms: certain platforms are treated as if they received and delivered the goods by themselves (notional delivery); platform may become a tax debtor.

Reverse charge (reversal of tax liability)

Generally for transnational supplies of goods or services subject to certain conditions

Requirements

Supplier is a foreigner (no residence, no fixed establishment in Poland involved in providing the service).

Additional requirement: supplier is not registered for VAT in Poland - in case of certain provisions (supplies of goods in general, property services).

Customer is basically the entrepreneur or legal entity holding a VAT identification number; its establishment in Poland may be required as well in certain cases.

Consequences

Invoice without VAT, with note on reverse charge and both parties' VAT registration numbers.

Customer is liable for VAT settlement.

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Application also

N/A
as of November 1, 2019 construction services and areas susceptible to fraud are subject to mandatory 'split payment' mechanism instead

Tax reliefs

Exemption (Input VAT deductible even though no VAT chargeable on supply of goods and services)

According to Polish nomenclature this is actually 0% VAT rate (with input VAT deductible):

- (a) Exports
- (b) Intra-Community supplies
- (c) Certain supplies of goods and services dedicated for sea and air transport
- (d) Processing under contract on goods for export
- (e) EU-border-crossing transport of goods
- (f) Cross-border sea, air and rail transport of passengers
- (g) Services directly related with import, export organization
- (h) Supplies of goods under certain customs suspension arrangements
- (i) Supplies of goods and services for EU institutions, international organizations etc.

Zero rates ("non-genuine" tax exemption) (Input VAT is not deductible)

According to Polish nomenclature this is actually VAT exemption (with input VAT non-deductible):

- (a) Financial services, fund management services (with possibility to opt out for tax liability)
- (b) insurance services
- (b) sale of buildings or parts thereof, particularly where such sale is not performed within so called first settlement or during 2 years from first settlement (with possibility to opt out for tax liability),
- (c) leasing of residential properties,
- (d) certain cultural, educational, medical care services,
- (e) sale of land not intended for development
- (f) sales of small enterprises (net sales per calendar year not exceeding PLN 200,000; an option for tax liability is possible; certain activities cannot be exempted at all, e.g. lawyers, advisors, factoring services, sale of car parts etc.)

Deductible Input VAT

Generally, VAT invoiced to the business for the supply of goods and services and import VAT.

Acquisition, lease or rental and operation of passenger cars - deduction limited to 50% of input VAT (100% deduction in case of documented use solely for business purposes or as to certain types of vehicles due to their construction).

Non-deductible: VAT for supply of accommodation and catering services, basically improperly charged VAT in certain circumstances.

Deduction from expenses related both with business and non-business requires application of so called pre-factor.

Deduction from expenses related both with activity subject to tax and tax-exempted requires application of VAT ratio.

Input VAT correction

If the circumstances which have been relevant for the input VAT deduction change materially, a corresponding positive or negative input VAT correction must be made.

Generally correction is made in the year following the year in which deduction took place. In case of fixed assets of initial value of more than PLN 15,000 (respectively major repairs thereof): the observation period for input VAT correction is 5 years and in case of properties - 10 years.

Real estate

Rentals

Rental for residential purposes is basically tax exempt.

Short-term rental for individuals and accommodation services are subject to 8% VAT rate.

Rental for commercial or non-housing purposes is basically subject to 23% VAT rate.

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Sales

Basically, sale of real estate is subject to 23% VAT rate.

Reduced 8% VAT rate applies to sale of residential estates with regard to floorage of up to 150 m² (flats) and 300 m² (buildings).

VAT exemption applies as to sale of buildings or parts thereof where such sale is not performed within first settlement or during 2 years from first settlement or major repairs (with possibility to opt out for tax liability). Sale of buildings or parts thereof shall be VAT exempt also in case where the taxpayer had no right to deduct input VAT related with its purchase or major repairs.

If sale of real estate is VAT exempted, the purchaser will be obliged to pay 2% tax on civil law transactions (TCLT).

Refund of input VAT for Polish taxable persons within the EU

Electronic application (VAT-REF) has to be made by the Polish taxable person at its competent Polish tax office at the latest by September 30 of the following year. Separate applications are required for each member state.

Subject to regulations of member state of refund, the application may need to be accompanied by invoices or customs documents for certain amounts.

Basically minimum amount of refundable input VAT is: EUR 400 (EUR 50 if the refund period coincides with the calendar year).

Foreign taxable persons

Taxable persons with no place of business nor fixed establishment in Poland

Registration

Mandatory if performs activities taxable in Poland (according to rules on place of supply). Registration is not required, however, where reversal of tax liability towards the customer being Polish taxable person is possible (reverse charge).

Also, registration is not required particularly if the foreign taxpayer performs in Poland only certain supplies of goods or services for maritime and air transport industries.

Mandatory registration e.g. basically in case of performance of cross-border B2B supplies of goods from Poland (incl. export and intra-EU deliveries).

Refund of input VAT for taxable persons domiciled in the EU

If no sales is made in Poland, electronic application at the competent tax office in the EU member state (originating country) of the taxable person within the EU by September 30 of the following year at the latest.

The application has to be accompanied by copies of invoices or customs documents for net value at least EUR 1,000; in case of invoices on fuel purchase - for net value at least EUR 250.

Minimum amount of refundable input VAT is: EUR 400 (EUR 50 if the refund period coincides with the calendar year).

Refund of input VAT for taxable persons not domiciled in the EU

If no sales is made in Poland, refund has to be applied for by September 30 of the following year at the latest

Official form has to be applied to the competent Polish tax office (Naczelnik Drugiego Urzędu Skarbowego Warszawa-Śródmieście), subjective invoices and customs documents have to be submitted as well along with the certificate of VAT registration of applicant in the originating country. Minimum input VAT refundable: EUR 400 (EUR 50 if the refund period coincides with the calendar year)

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)

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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.

Taxpayers are required to use the JPK_VAT7 file, sent electronically every month.

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)

Voluntary split payment

Voluntary mechanism of the way the PLN payments to contractors may be done. By applying this, the payment for the invoice is divided in two parts:

- the net value is paid to the contractor's main bank account,
- the VAT amount is transfer into the specially-dedicated VAT account.

VAT accounts are opened automatically and maintained for free.

The benefits from using the split payment mechanism include the possibility to receive refund of VAT into the VAT account within 25 days and to avoid negative fiscal consequences in some cases, e.g. the additional VAT liability.

Upon the taxpayer's request, the funds collected in VAT accounts may be transferred into a regular account.

Obligatory split payment

The obligatory split payment mechanism applies to invoices covering transactions involving selected goods (eg. steel products, fuel, computers) and services (eg. construction, finishing, instalation works), between taxpayers, where the one-time amount, regardless of the number of payments made, exceeds PLN 15.000 or its equivalent.

Transactions, whose value does not exceed PLN 15.000 or does not cover selected goods and services, are subject to settlement on general terms, with the purchaser being able to decide whether to apply the split payment mechanism on a voluntary basis.

New regulations impose penalty of 30% VAT amount indicated on the invoice:

- on the issuer, if there is no annotation "split payment mechanism",
- on payer, if the payment is made without obligatory split payment mechanism.

White list

The taxpayers have to verify, prior to making a transfer to a given counterparty, whether the bank account number indicated on the invoice is disclosed on the white list of taxpayers. If the transfer is made by the buyer to a bank account undisclosed on the white list, and the counterparty (vendor) fails to pay the amount of VAT to the tax office, the buyer will be jointly and severally liable with the seller for the VAT shown on the invoice.

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VAT groups

VAT group

- a group of entities related financially, economically and organizationally, registered as a VAT taxpayer.

VAT group may be formed by taxpayers

- having their seat in the territory of the country or
- non-established in the territory of the country, to the extent to which they conduct business activity in the territory of the country through a branch located in the territory of the country

An entity may be a member of only one VAT group. VAT group shall be formed for the period not shorter than 3 years.

VAT group may not be extended by other members or reduced by any of its members. Supplies of goods and services made by a member of a VAT group to another member of the same VAT group shall not be subject to VAT.

The National e-Invoicing System ("Krajowy System e-Faktur", KSeF)

The National e-Invoice System (KSeF) is a nationwide computer system that enables the generation and sharing of structured invoices. The main objective of KSeF is to centralise the process of registering invoices in business by directing them to one central location.

General information

Mandatory use of the KSeF and 'structured invoices' (in an XML format) for all B2B transaction from:

- February 1, 2026 - for taxpayers whose sales value (including tax amount) exceeds PLN 200 million in 2025
- from April 1, 2026 KSeF - for other taxpayers.

Exemptions

- (a) consumer invoices (B2C),
- (b) tickets functioning as invoices,
- (c) invoices issued under OSS and IOSS procedures.

Financial penalties

According to the latest assumptions, from 1 January 2025 penalties are to be imposed in three situations, i.e:

- (a) when the taxpayer fails to issue an 'structured invoice' (i.e. an invoice using the KSeF) despite being obliged to do so,
- (b) when, during a period of failure or maintenance of the KSeF, or unavailability of the KSeF, the taxpayer fails to maintain the required XML structure when issuing an invoice in the so-called offline mode,
- (c) when, following a period of failure or maintenance of the KSeF, or unavailability of the KSeF, the taxpayer fails to send an invoice issued in so-called offline mode to the KSeF within the required period.

SME procedure (implementation of EU directive 2020/285 of 18/02/2020)

From 1 January 2025, changes were introduced for small enterprises with their registered office in other EU Member States, enabling the use of VAT exemption in Poland; similar exemptions were introduced for Polish entrepreneurs in other Member States, on the terms applicable in that country, without the need to register (registration in Poland is sufficient).

A taxpayer wishing to use VAT exemption in another EU Member State must comply with both the national VAT exemption limit (PLN 200,000) and the general EU limit of EUR 100,000. Exceeding either of these limits results in the loss of the right to VAT exemption in all EU countries. Limit of PLN 100,000 EUR refers to the taxpayer's total turnover throughout the EU, including domestic sales.

Taxpayers with their registered office in a Member State other than Poland are required to:

- notify the country of their registered office of their intention to use the exemption in Poland and
- obtain an individual identification number containing the code "EX" in the country of their registered office for the purpose of using the exemption

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in Poland before they start using it.

GENERAL MANAGERS

Civil law

Contract of employment, management contract incl. contract for services concluded as part of business activity of manager, appointment by shareholders' resolution

Social insurance

Generally subject to social and health insurance if work is performed based on (a) employment contract or (b) management contract including contract for services. In both cases, revenues are considered as derived from the source of income other than business for the purposes of social and health insurance (respectively: from employment or similarly as from mandate contract).

Employee: all employment-related contributions and non-wage labor costs are borne;

Management contract: basically all contributions typical for mandate contract are borne (i.e. pension, disability, accident, health and optional sickness insurance) as well as obligatory labour fund contribution.

If function of manager is performed based on appointment by shareholders' resolution, the remuneration is subject to health insurance only (free from social insurance contributions). Assessment basis for health insurance contribution is the amount of remuneration derived from this source of income.

Persons who perform the duties of board members in Polish companies, but at the same time are subject to the social security system in one of the EU/EEA countries or in another country with which Poland has concluded a social security agreement may be considered as subject to social security system only in that relevant country upon obtaining A1 certificate.

Income tax

Progressive income taxation based on tax scale only (source of income: employment or activity performed in person).

Potential 20% WHT instead in case of remuneration paid for management services to foreign taxpayer.

VAT

Generally no VAT.

In particular, activities performed based on contract for management services shall not be subject to VAT as long as the contract provides for responsibility for execution of the contract against third parties to be borne by the company and not the manager. If otherwise - services shall be basically VATable.

Work permit

No work permit is necessary for nationals from EU, EEA or Switzerland.

Otherwise basically necessary, unless in connection with performing functions in the management board, the foreigner stays on the territory of Poland for a period not exceeding 6 months within the following 12 months.

Residence permit / Settlement permit

Generally required if the foreigner stays in Poland for more than 3 months

Liability

Joint liability of members of board for taxes due from the company (incl. employer's taxes, VAT etc.) as well as social security and health insurance contributions, which basically became due within performance of their duties.

Liability of MoB may be excluded in case of declaring insolvency in due time.

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Minimum remuneration

In the case of work performed on the basis of a contract for the provision of services to which the provisions on contracts for the provision of services apply, the minimum hourly rate is PLN 30.50 gross.

SOCIAL INSURANCE AND NON-WAGE LABOR COST

Social insurance

Statutory social insurance contributions: (a) retirement, (b) disability, (c) accident, (d) sickness (sickness contributions are obligatory in case of employee, otherwise - optional).

Statutory medical care contribution (health insurance) as well.

Temporary concessions with regard to social security contributions possible for individuals starting up business activity, incl. possible 6-months of contributions-free period. Concessions do not concern health insurance.

Contribution rates and maximum contributions

Self-employed persons

Health insurance

9% where taxpayer chose either: (a) progressive income taxation of business profits based on tax scale or (b) lump sum taxation of business revenues.

4.9% where taxpayer chose 19% flat-rate taxation of business profits;

Assessment basis:

(1) in case of progressive taxation or 19% flat-rate taxation of business profits - the basis is taxable income (revenues less tax deductible costs less social security contributions); health insurance contribution for a given month is calculated from income obtained in month preceding the one for which contribution is paid.

(2) in case of lump sum taxation of business revenues - the assessment basis depends on the amount of yearly revenues (less social security contributions):

(a) where yearly revenues do not exceed PLN 60,000 - the monthly basis is 60% of average monthly salary gross in public sector, announced for 4th quarter of the preceding year,

(b) where yearly revenues exceed PLN 60,000 but not exceed PLN 300,000 - the monthly basis is 100% of average monthly salary gross in public sector, announced for 4th quarter of the preceding year,

(c) where yearly revenues exceed PLN 300,000 - the monthly basis is 180% of average monthly salary gross in public sector, announced for 4th quarter of the preceding year.

Health insurance is:

(a) non-deductible from taxable income or tax (PIT) - in case of progressive taxation based on tax scale,

(b) deductible from revenues up to the amount of PLN 12,900 annually - in case of applying 19% flat-rate taxation of income from business activity,

(c) deductible from revenues in 50% - in case of lump sum taxation of revenues derived from business activity.

Pension insurance

retirement insurance: 19.52%

disability insurance: 8%

sickness insurance: 2.45% (contribution is optional)

Obligatory pension fund

2.45%

Accident insurance

1.67% - applies to contribution payer who registered up to 9 people for accident insurance purposes (incl. self-employed oneself);

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otherwise (if more than 9 people registered) contribution rate is set individually within the range 0.67% - 3.33% depending on affiliation of contribution payer to a given group of activity, potentially multiplied by corrective factor (0.5 - 1.5) set for a given contribution payer.

Maximum contribution

Pension and disability contributions are not paid from surplus of the assessment basis (revenues) exceeding 30 times multiplied amount of average monthly salary gross in public sector projected for a given year; then in 2025 the cap is: $30 \times \text{PLN } 8,673 = \text{PLN } 260,190$
No cap for accident and sickness contributions as well as obligatory labour fund and fund of guaranteed worker's allowances contributions.

Employed persons

Health and accident insurance

9% (employee's burden)

Assessment basis: employee's revenues less social insurance contributions (pension + disability + sickness) in part which was employee's share in those contributions.

Health insurance is not deducted from taxable revenues / income for income tax purposes nor deducted from tax (PIT).

Pension insurance

Retirement insurance: 19.52% (half of which is employee's share)

Disability insurance: 8% (1.5% is employee's share, 6.5% is employer's share)

Accident insurance: 1.67% - applies to contribution payer who registered up to 9 people for accident insurance purposes; otherwise (if more than 9 people registered) contribution rate is set individually within the range 0.67% - 3.33% depending on affiliation of contribution payer to a given group of activity, potentially multiplied by corrective factor (0.5 - 1.5) set for a given contribution payer;

Accident insurance contribution is employer's burden entirely.

Sickness insurance: 2.45% (employee's burden)

Sickness contribution for employee is mandatory.

Maximum contribution

Pension and disability contributions are not paid from surplus of the assessment basis (revenues) exceeding 30 times multiplied amount of average monthly salary gross in public sector projected for a given year; then in 2023 the cap is: $30 \times \text{PLN } 6,935 = \text{PLN } 208,050$

No cap for accident and sickness contributions as well as obligatory labour fund and fund of guaranteed worker's allowances contributions.

Others

(1) Obligatory labour fund: 2.45% (employer's burden)

(2) Contributions to State Fund for the Rehabilitation of the Disabled - obligatory monthly contributions for employers hiring at least 25 employees not achieving the 6% level of employed disabled people; monthly payment: 40.65% of average monthly salary in public sector multiplied by number of disabled employees that would need to be hired to reach mentioned level (non-tax deductible cost of employer).

(3) Contributions to company social benefits fund - obligatory for employer hiring at least 50 employees, also where at least 20 employees are hired in certain circumstances; otherwise - optional (with additional option of paying leave benefits instead in certain circumstances); basic contribution to company social benefit fund or the amount of leave benefit attributable to a single employee - yearly at least 37.5% of average monthly salary in public sector (tax deductible cost of employer).

(4) sick pay for certain period.

Severance fund

Obligatory contributions on Fund of Guaranteed Workers' Allowances - 0.1%; employer's burden entirely (tax deductible cost of employer, same as contributions to Labour Fund)

Non-wage labor cost

Obligatory medical examination of employees, health & safety trainings;

other benefits basically granted to employees at the discretion of employer

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IMMOVABLE PROPERTY

Tax depreciation

No tax depreciation of residential buildings and premises, regardless of whether they are used for business purposes, rented or leased or otherwise.

Buildings are basically classified as residential where at least 50% of total building floorage is used for residential purposes.

Straight-line

With use of yearly depreciation rates specified in the appendix no. 1 to Polish CIT or PIT act respectively.

Standard tax depreciation rates may be increased for extraordinary wear and tear.

Depreciation rates may be set individually, subject to certain limitations, for used or improved non-residential buildings and premises or constructions, which are for the first time put into service by a given taxpayer.

Tax deductible depreciation write-offs from investment properties made by 'real estate companies' (as defined in the Polish CIT Act) may not be higher in a given tax year than accounting depreciation write-offs thereof.

Additional

N/A;

impairment losses are not relevant for tax depreciation purposes

Depreciation categories

Land

No tax depreciation

Buildings

Non-residential buildings and premises are generally subject to standard yearly tax depreciation rate of up to 2.5%. Certain buildings are subject to depreciation rates from 2.5% to 10%.

Depreciation rates may be increased for extraordinary wear and tear or set individually for used or improved assets for the first time put into service by a given taxpayer.

Tax deductible depreciation write-offs from investment properties made by 'real estate companies' (as defined in the Polish CIT Act) may not be higher in a given tax year than accounting depreciation write-offs thereof.

Tax base for buildings

Generally, tax base is total acquisition or construction costs, excluding land (assessed in the relevant share, if needed).

Special depreciation

N/A;

Renovation and renewal costs for residential buildings are non tax-deductible.

Write-ups

Made upon acquisition of assets

Real estate income tax

Object of taxation

Income from sale of operative real estate, irrespective of the holding period, is basically treated as derived from business activity. Different classification for sales of residential buildings or premises, where such sales is not subject of operational activity of the taxpayer.

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Income from private sales of real estate, is taxable only in the case where sales occurred within 5 years counting from the end of the year in which its acquisition or construction took place.

Lump sum taxation of revenues (with no deduction of related costs): (a) mandatory for private rent, (b) optional for taxpayers whose business activities are focused on the purchase and sales of properties.

Tax rate

Income derived by individuals from business - including sale of non-residential properties or residential too, if this is subject to taxpayer's business activity - is basically subject to progressive taxation based on tax scale or to optional 19% flat-rate taxation.

Certain professionals may apply lump sum taxation of revenues, e.g. 10% lump sum tax rate for revenues of the taxpayers whose business activities are focused on the purchase and sales of properties.

Income derived from sales of residential properties (where it is not subject of operational activity of business) as well as private sales of properties is taxable by 19% tax rate.

Private rent - is subject to 8.5% or 12.5% lump sum taxation (12.5 rate applies to revenues from rent exceeding PLN 100,000)

Tax collection

The taxpayer is responsible for tax calculation and its payment. Separate income tax declaration applies to income from sale of real estate which is not classified as business-related.

Exemptions

Private sale of real estate is not subject to taxation if sales occurred after 5 years counting from the end of the year in which its acquisition or construction took place.

If private sales occurs before mentioned 5-years-period, income from sales will be tax exempt in part which will be expended for taxpayer's own residential purposes within 3 years from the end of the year in which sales took place.

Tax exemption also applies to sale of real estate as a result of official intervention and sale of real estate obtained in the course of reallocation or compensation procedures.

Property transfer tax

- VAT or tax on civil law transactions (TCLT).e

Object of taxation

Property in Poland:

(a) real estate (land, buildings or parts thereof),

(b) constructions related with business activity.

Basis of assessment are:

(a) for land - area,

(b) for buildings and parts thereof - useable area,

(c) for constructions or parts thereof - base for tax depreciation as of 1 January of given year.

Property tax rates are determined and announced by local authorities. However, maximum statutory rates are i.a.:

(a) for land used for business purposes: PLN 1.16 / m²,

(b) for residential buildings or parts thereof: PLN 1 / m²,

(c) for buildings or parts thereof, incl. residential, related with or occupied for business purposes: PLN 28.78 / m²,

(d) for constructions - 2% of base for tax depreciation.

Agricultural or forestry land, not used for business purposes, is subject to separate taxation by respectively agricultural or forestry tax.

Basis of assessment

Basis of assessment for TCLT purposes is market value of asset.

Tax rate

2% - TCLT from sale of immovable property

For sale of shares in real estate company - potentially 1% TCLT might apply where sale of shares is considered not subject to VAT or is considered VAT exempted.

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Property-related taxes

Property tax

Objects of taxation

Property in Poland:

- (a) real estate (land, buildings or parts thereof),
- (b) constructions related with business activity.

Basis of assessment are:

- (a) for land - area,
- (b) for buildings and parts thereof - useable area,
- (c) for constructions or parts thereof - base for tax depreciation as of 1 January of given year.

Property tax rates are determined and announced by local authorities. However, maximum statutory rates are i.a.:

- (a) for land used for business purposes: PLN 1.34 / m²,
- (b) for residential buildings or parts thereof: PLN 1.15 / m²,
- (c) for buildings or parts thereof, incl. residential, related with or occupied for business purposes: PLN 33.10 / m²,
- (d) for constructions - 2% of base for tax depreciation.

Agricultural or forestry land, not used for business purposes, is subject to separate taxation by respectively agricultural or forestry tax.

Real estate funds

No particular regulations as yet. General regulations regarding investment funds apply.
Basically only closed-end investment funds may acquire real estate.

Owner of the fund assets

General regulations regarding investment funds apply.

Annual valuation

General regulations regarding investment funds apply.

Borrowing

General regulations regarding investment funds apply.

Diversification of risk

General regulations regarding investment funds apply.

Tax liability

General rule: tax exemption of income of investment funds (incl. foreign ones), with some restrictions to be observed as to closed-end investment funds.

However, exemption does not apply to income of investment fund from owned or co-owned buildings located in Poland, rented or leased. Then standard rules for CIT taxation apply.

Profit distribution and liquidity gains are subject to standard rules for withholding taxation with 19% CIT / PIT rate or lower tax rate per applicable DTA as well as potential WHT restrictions provided for intra-group payments; potentially WHT exemption of profit distribution based on EU Parent-Subsidiary Directive for intra-group purposes.

Capital gains are subject to standard taxation.

Capital losses are tax deductible, with rules for loss carryforwards against capital gains.

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TAX CONCESSIONS

Direct

Tax attributable to not deducted surplus of R&D relief may be returned in cash to taxable person if that surplus came out for a tax year in which the taxable person started up business (not applicable in case of restructuring); same applies as to surplus for next tax year where the taxable person is micro, small and medium sized-enterprises.

Surplus of child deduction over yearly tax calculated in parent's yearly income tax return shall be returned to him or her in cash.

Indirect

Income tax concessions, e.g.

Income derived from commercialized R&D works is subject to preferential 5% tax rate (CIT or PIT respectively), under certain conditions. Specific rules for tax assessment basis have to be observed. Incurred losses from commercialized R&D works are subject to standard rules for loss carryforward within 5 years period.

9% reduced CIT rate applies to income from operational activity obtained by (a) so called 'small taxpayers' (i.e. the ones whose revenues had not exceeded expressed in PLN an amount equivalent to the equivalent of EUR 2 million gross in the year preceding a given tax year) or (b) taxpayers starting-up their business in a given tax year; condition: revenues of those taxpayers do not exceed expressed in PLN an amount equivalent to the equivalent of EUR 2 million net in a taxable year.

In case of alternative CIT taxation of distributable net profits solely, reduced 10% CIT rate applies to 'small taxpayers' or taxpayers starting-up their business in a given tax year.

Tax credits

Family bonus plan:

Joint taxation of spouses: option possible in certain circumstances;

1st step: calculating tax on half of the spouses' total income;

2nd step: determining actual joint tax in double the amount of tax calculated in 1st step;

Potential benefits: lower amount of earnings may be moved to a higher tax scale (from 12% to 32% in progressive taxation), effective use of double value of tax-free amount;

Most profitable for spouses when one of them has no income or obtained much less income than the other.

Relief applies respectively to residents of EU / EEA country or Switzerland.

Children surplus:

Annual revenues of parent raising at least 4 children are basically tax exempt up to the amount of PLN 85,528

Sole earner deduction pa.:

Taxation of a single parent: option possible in certain circumstances for a single parent or legal guardian raising children;

1st step: calculating tax on half of single parent's income;

2nd step: determining actual tax in double the amount of tax calculated in 1st step;

Benefits: less earnings of a single parent moved to a higher tax scale (from 12% to 32% in progressive taxation), using double value of tax-free amount (which would not be used, otherwise, in the case of a child not earning at all);

In case of raising adult child until the age of 25, learner, parent may apply concession provided that the child did not obtain yearly income exceeding certain threshold, which is for 2024 - PLN 21,371.52;

Relief applies respectively to residents of EU / EEA country or Switzerland.

Single parent deduction pa.:

Taxation of a single parent: option possible in certain circumstances for a single parent or legal guardian raising children;

1st step: calculating tax on half of single parent's income;

2nd step: determining actual tax in double the amount of tax calculated in 1st step;

Benefits: less earnings of a single parent moved to a higher tax scale (from 12% to 32% in progressive taxation), using double value of tax-free amount (which would not be used, otherwise, in the case of a child not earning at all);

In case of raising adult child until the age of 25, learner, parent may apply concession provided that the child did not obtain yearly income exceeding certain threshold, which is for 2024 - PLN 21,371.52;

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Relief applies respectively to residents of EU / EEA country or Switzerland.

Child deduction:

Amounts deductible from annual tax of parent/s, legal guardians or foster parent/s; amounts to be shared respectively by both parents:

- (a) up to PLN 1,112.04 (depending on number of months of childcare) - for raising one child; provided that total parent/s' income did not exceed certain thresholds annually (those thresholds do not apply where more than 1 child was raised),
- (b) up to PLN 1,112.04 - for each of 2 children raised;
- (c) up to PLN 2,000.04 - for 3rd child,
- (d) up to PLN 2,700.00 - for 4th child and each of the following ones.

In case of raising adult child until the age of 25, learner, parent may apply concession provided that the child did not obtain yearly income exceeding certain threshold, which is for 2024 - PLN 21,371.52.

The parent shall receive the surplus of this relief over yearly tax calculated in his or her yearly income tax return.

Relief applies respectively to residents of EU / EEA country or Switzerland.

Alimony deduction:

Alimony is tax exempted if received:

- (a) for children until the age of 25 as well as other if beneficiary of attendance allowance or social pension,
- (b) for other person up to PLN 700 monthly, if alimony was granted by court.

If in employment / pension income p.a.

Both income derived from employment contract and pensions are subject to progressive taxation based on tax scale.

Annual revenues of working senior (men - over 65, women - over 60) are tax exempt up to the amount of PLN 85,528 provided that he or she does not collect pension although entitled to it.

Basically income obtained by the child until the age of 18 is summed up with parents' income for tax purposes; however pensions obtained by a child until the age of 18 are not summed up with parents' income; then the pension is treated as child's income; possibility to use its attributable tax-free amount; survivor's pension obtained by child until 18 is free of health insurance contributions.

Allowances and exemptions

Profit allowance:

N/A

Investment allowance:

Tax exemption applies to income obtained from business whose subject was determined in the relevant support decision issued under the state aid regulations. Relief concerns income obtained in relation with a given location of the investment specified in the decision. Relief is a form of reimbursement of costs of the investment project. Tax relief to which the entrepreneur is entitled applies up to the amount calculated based on investment expenditure, labor costs etc. related with realization of the project.

Support decision is issued for a definite period, not less than 10 and not longer than 15 years, depending on the intensity of public aid in a given area.

For the purpose of tax relief, activities carried out based on support decision are separated organizationally from other activities of the entrepreneur, if this is the case.

Losses related to tax exempt income are not subject to loss carryforward.

Government subsidies

Usually granted under certain programs financed from national or EU funds aimed at supporting investment, R&D projects, infrastructure developments, trainings etc.

As a rule granted based on agreement concluded between beneficiary and responsible institution. The agreement specifies in particular the amount of support and conditions to be fulfilled, e.g. in terms of creating new jobs, incurring certain amounts of investment expenditures, conducting R&D activities or trainings etc.

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INCOME TAXES

Tax rate

Progressive personal income tax (PIT) rates calculated based on tax scale:

Tax base:

more than PLN 120,000

up to PLN 120,000

Tax amounts to:

12% minus tax reducing amount of PLN 3,600

PLN 10,800 + 32% of excess amount over PLN 120,000

General tax-free amount: PLN 30,000

Subject to tax exemption are revenues of persons until 26 derived from employment, contract of mandate etc. up to the amount of PLN 85,528.

Special tax rates

19 % - optional flat-rate for income from business activity, applied upon notification

19% - for income from capital

19% - for income from private sales of real estate

Private rent - possible only lump sum taxation of revenues (no deduction of related costs, depreciation etc.): 8.5% - for revenues from rent up to PLN 100,000; 12,5% - from surplus exceeding PLN 100,000

Tax liability

Unlimited

Individuals resident in Poland (due to centre of vital interests or present in Poland for period longer than 183 days yearly), on worldwide income.

Limited

Individuals non-resident in Poland, on income obtained in Poland.

Tax assessment period

Calendar year

Income categories

Separate sources of income:

1. Employment
2. Activity performed in person
3. Business activity
4. Special branches of agriculture
5. Rents
6. Capital and royalties
7. Non-business sales of real estate or other goods
8. Business carried out through the Controlled Foreign Entity (CFE)
9. Unrealized gains
10. Other sources

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Accounting

Individuals and partnerships carrying out business activity are obliged to maintain so called 'tax revenues and expenses ledger' (pol. "Podatkowa księga przychodów i rozchodów") according with the relevant Regulation of Minister of Finance.

Obligation to maintain full accounting books instead, in accordance with Polish Accounting Act - if revenues of business for the preceding tax year amounted to at least equivalent in Polish currency EUR 2.5 million net.

As of January 1, 2025, it is possible to choose to recognize income from self-employment (including start-ups), including those taxed according to the tax scale, 19% flat tax and lump-sum tax on a cash basis (rather than on an accrual basis). Conditions: revenues from business activities in the preceding year did not exceed PLN 1 million and the taxpayer does not keep books of account. A written statement on the choice of this method is required. Applied only in B2B transactions. Not applied in case of transactions with related parties, entities from tax havens, and to revenues from the disposal of a tangible and intangible asset included in the records of tangible and intangible assets.

Loss set-offs

Only possible within separate sources of income (income categories), including also capital losses and write-downs resulting from distributions which can be, generally, set-off against capital gains.

Exceptions for certain types of investment income, for real estate losses.

Loss carryback

Not possible

Loss carryforward

Basically, losses incurred within each of separate sources of income may be set-off with profits obtained from that source of income (exclusively) within the following 5 years, no more than 50% of loss annually.

Possibility to make a deduction by the amount of up to PLN 5 million in one of the above mentioned 5 years without regard to limitation to 50% of loss annually in this year.

Operating expenses

Expenses of the business.

Tax allowable expenses

Basically tax deductible costs are the ones incurred to generate taxable revenues from given source of income (e.g. business), or to maintain or secure that source of income.

There is a catalogue in the Polish PIT Act of various kinds of expenses whose tax deductability is excluded or limited.

Lump sum option

Optional 'lump sum taxation on registered revenues', generally with no deduction of related costs, for income derived from business, where revenues from business for previous tax year did not exceed EUR 2 million or in case of taxpayers starting up their business in a given tax year regardless of the amount of revenues.

Required notification to the tax office on choosing this option.

100% of social insurance contributions and 50% of medical care contributions are deducted from taxable revenues.

Possibility to set off tax losses in case of taxpayer passing from standard PIT taxation of business to lump sum taxation.

Obligation of business to maintain 'revenue records', according with the relevant Regulation of Minister of Finance.

Various lump sum tax rates apply, depending on type of business; tax rates vary from 17% to 2%. For example:

17% - for free professional's services (like translator, legal counsel, tax advisor, accountant, investment advisor etc.)

15% - for advertising, employment, management, facility management, head office, data processing, financial services etc.

10% - for real estate buying and selling services

8.5% - for rent of property or means of transport, accommodation services, R&D services

5.5% - for construction works, transport of goods.

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Possible lump sum taxation of revenues from sales of plant and animal products, under certain circumstances. Specific trades and professions may apply lump sum taxation in form of so called 'tax card'.

Motor vehicles

Basically depreciation over at least 5 years (in the case of used vehicles may be shortened to 2.5 years).

Depreciation of passenger cars, paid leasing fees and their insurance - tax deductible are the amounts allocated to car value not higher than PLN 150,000 (for electric cars the threshold is basically PLN 225,000, except for insurance).

Passenger car operating expenses (including non-deductible VAT, if this is the case) where the car is not exclusively used for business purposes - tax deductibility limited to 75% of incurred expenses.

Deduction of expenses incurred on behalf of employees due to use of private cars for taxpayer's business purposes up to official rate per kilometre (PLN 1.15 / 0.89).

Certain vehicles may be excluded from tax restrictions provided for passenger cars (e.g. van, multi-purpose vehicle, pick-up) under certain conditions.

Social insurance

100% social insurance contributions are deductible.

Medical insurance contributions are:

(a) non-deductible - in case of progressive taxation based on tax scale,

(b) deductible from revenues up to the amount of PLN 11,600 annually - in case of applying 19% flat-rate taxation of income from business activity,

(c) deductible from revenues in 50% - in case of lump sum taxation of revenues derived from business activity.

Medical insurance rates and rules for their assessment basis vary depending on mode of PIT taxation chosen by the taxpayer in a given year.

Withholding tax

Generally 20% for interest, royalties, certain types of activities performed in person and certain intangible services; in the case of capital gains - 19%.

Polish-based payer is obliged to withhold and pay the tax (also on behalf of the local beneficiary of investment income, where this is the case).

A DTA can provide for a lower rate of taxation or non-taxation.

'Due care' is required in order to use the relief; the tax residence certificate of the foreign taxpayer has to be obtained.

Relief is granted by reduction at source or with use of pay & refund mechanism.

Pay & refund mechanism applies basically to surplus of payments made to related party exceeding PLN 2 million in a given tax year, unless the payer submits the relevant statement to the tax office on lack of obstacles to apply the relief or the authority issued the relevant opinion on use of preferences.

Refund claim needs to be accompanied by detailed documentation to substantiate entitlement to use preference. Refund claim is submitted by the payment beneficiary (e.g. foreign taxpayer) or by the paying party under certain circumstances.

Payments for intangible services are not covered by the WHT pay and refund system.

Interest

20% tax rate or lower tax rate per applicable DTA.

Foreign taxpayer, resident in EU or EEG country or in Switzerland may choose taxation of that income in Poland based on general rules and with use of tax scale by way of submitting the relevant yearly tax return. If so - withheld tax is treated as tax prepayment. Conditions: (a) foreign tax residence certificate and (b) cooperation in the area of tax information exchange between Poland and beneficiary's country.

Royalties

20% tax rate or lower tax rate per applicable DTA.

Foreign taxpayer, resident in EU or EEG country or in Switzerland may choose taxation of that income in Poland based on general rules and with use of tax scale by way of submitting the relevant yearly tax return. If so - withheld tax is treated as tax prepayment. Conditions: (a) foreign tax residence certificate and (b) cooperation in the area of tax information exchange between Poland and beneficiary's country.

Dividends

19% tax rate or lower tax rate per applicable DTA.

19% tax from dividend obtained from the company subject to alternative CIT taxation of distributable net profits only is decreased by 70% / 90% of CIT paid with that respect by the company who distributed that dividend. 70 / 90 rate depends on whether the company that

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distributed dividend was taxed respectively with use of 20% or 10% CIT from distributable net profits (10% CIT applies to 'small taxpayers' or taxpayers starting up their business in a given tax year, 20% CIT - otherwise). If this is the case, PIT from obtained dividend is effectively decreased from 19% to 5% (where CIT rate was 20%) or respectively from 19% to 10% (where CIT rate was 10%).

FILING DATES AND DEADLINES

Annual tax returns

Corporate income tax: annual tax return is submitted until the end of the 3rd month of the following tax year;

Personal income tax: annual tax return is submitted by the taxpayer until 30 April of the following year;

CIT / PIT prepayments are paid on a monthly basis - until 20th day of the following month; 'small taxpayers' or taxpayers starting up their business in a given tax year may choose quarterly prepayments - paid until 20th day of the following quarter; no interim CIT / PIT monthly or quarterly tax returns.

Entities collecting WHT from distributed payments are obliged to submit yearly tax returns on collected WHT until the end of the 1st month of the following tax year.

VAT interim returns

VAT: monthly VAT returns are submitted along with detailed VAT records electronically in single unified SAF-T form until 25th day of the following month.

Quarterly VAT returns may be submitted by (a) 'small taxpayers' (i.e. in terms of VAT the ones whose turnover had not exceeded EUR 2 million gross in the preceding tax year) or (b) taxpayers applying CIT taxation of distributable net profits only and whose turnover had not exceeded the amount of expressed in PLN equivalent to the equivalent of EUR 4 million gross in the preceding tax year.

No annual VAT returns.

European Sales Listing

European Sales & Purchase Lists are submitted on a monthly basis only - until 25th day of the following month.

In case of later invoicing of supplies of goods, transaction reporting deadline may be postponed by one month.

OTHER TAXES

Business tax

General types of business taxes are: (a) income taxes, corporate - CIT or personal - PIT, depending on the status of taxpayer carrying out business activity and (b) VAT.

Tax responsibilities apply as well with regard to withholding taxation or employment taxes settled on behalf of employees.

Other business taxes may apply as well, depending on specific business activity areas / products involved, in particular: (a) excise, (b) retail sales tax, (c) mineral extraction tax, (d) tax on certain financial institutions, (e) sugar levy - on beverages containing sugar, caffeine or taurine.

Wealth tax

Levied on physical persons (PIT taxpayers): 4% from surplus over PLN 1 million of annual income

Inheritance and gift tax

Tax-free amounts and tax rates depend on affiliation of a purchaser to a given tax group in relation to donor / testator.

Tax exempted are generally purchases by nearest relatives, regardless of the amount, provided that notification is made to the tax office within 6 months. In the case of cash donations, necessary payment into a bank account for exemption. Failure to report donation may result in 20% penalties from fair market value of donation.

Obtained residential buildings or premises may be tax-free under certain conditions (quite strict).

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Property transfer tax

Either VAT or tax on civil law transactions (TCLT).

Preferential 8% VAT rate applies to sale of certain residential estates. VAT exemptions may generally apply to sale of buildings or parts thereof in certain circumstances.

If sale of real estate is VAT-free (non-VATable or exempted) - purchaser is obliged to pay 2% TCLT from its market value.

Certain concessions possible in specific cases.

1% TCLT rate may potentially apply to purchase of shares in real estate company.

Capital duties and fees

Contract duties

Sales or exchange agreements, loan agreements are subject to TCLT, where non-VATable (i.e. where transaction is concluded not in course of business activity).

Sale of real estates or shares in companies is subject to TCLT, always where transaction is VAT-free, i.e. either non-VATable or VAT exempted (i.e. concluded in course of business, however subject to VAT preference for some reason).

In case of sales / exchange agreement, TCLT tax rate is basically: (a) 2% - where subject of agreement is movable or immovable property or related property rights, (b) 1% - where subject are other property rights (e.g. shares).

Tax assesment basis relates to market value of item/s. TCLT taxpayer is purchaser.

In case of loans, TCLT tax rate is 0.5% of the amount of loan. TCLT taxpayer is borrower. Failure to report loan may result in penalties of up to 20% of its value.

Possible exemptions from TCLT in specific cases, for example with regard to loans granted to company by its shareholder, loans granted by nearest relatives, loans or sale of movable property worth up to PLN 1.000.

Registration fees

Entries into the Land and Mortgage Register: fixed fee PLN 200.

Capital duty

Subject to TCLT are: (a) conclusion of articles of association of company, resident or managed in Poland or entering into partnership agreement, partnership being Polish resident as well as (b) amendments thereof in certain circumstances.

Amendements of AoA or partnership agreement are subject to TCLT taxation basically where they lead to (a) increase of share capital of company / partnership's assets (incl. loans granted to partnership by its shareholders) or shareholders' additional contributions to capital of company / partnership (pol. 'dopłaty') as well as (b) shifting residency or management centre of the corporation from non-EU country to Poland.

Non-taxable are conclusions of AoA or amendments thereof resulting from restructuring of corporations. Additional tax exemptions possible in certain circumstances.

TCLT rate is 0.5% from value of contributions / share capital or their increase, respectively.

CORPORATE INCOME TAXES

Object of taxation

(a) Taxable income or

(b) alternatively distributable net profits of the company solely, basically calculated based on the accounting regulations (this alternative is commonly called 'Estonian CIT')

Tax rate

- (1) CIT from taxable income:
 - (a) 19% - standard rate;

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(b) 9% - reduced tax rate applicable to income from operational activity obtained by (a) so called 'small taxpayers' (i.e. the ones whose revenues had not exceeded EUR 2 million gross in the year preceding a given tax year) or (b) taxpayers starting-up their business in a given tax year; condition: revenues of those taxpayers do not exceed EUR 2 million net in a taxable year;

(2) Alternative CIT taxation of distributable net profits solely, so called 'Estonian CIT':

(a) 20% of distributable net profit;

(b) 10% of distributable net profit - applicable to (a) 'small taxpayers' or (b) taxpayers starting-up their business in a given tax year.

(3) 'Minimum CIT'

10% - applies to taxpayers incurring / achieving specifically calculated loss or low profitability from operational activity (up to 2% revenues).

(4) Global Minimum Tax

As of January 1, 2025, the global minimum tax, also known as the compensatory tax (implementation of the Global Minimum Tax (GLOBE) under the so-called Pillar II implemented based on Council Directive (EU) 2022/2523), is effective in Poland.

The tax covers component units of international and domestic groups operating in Poland, which have reported revenues of at least €750 million in the consolidated financial statements of the ultimate parent company in at least two of the four tax years immediately preceding the tax year under review.

The regulations stipulate a minimum effective tax rate of 15%. If the effective rate in a given jurisdiction is below 15%, an obligation will arise to calculate and pay a compensation tax (in Poland or abroad).

Tax liability

Unlimited

(a) Legal entities, including corporations as well as

(b) limited partnerships, partnerships limited by shares and general partnerships in certain circumstances due to the nature of their partners - resident or managed in Poland, on worldwide income.

Limited

Foreign CIT taxpayers, neither resident nor managed in Poland, on income obtained in Poland.

Financial year

Calendar year, although the financial year (which is also a tax year) may be different than a calendar year.

Accounting

Generally, accounting books kept in accordance with Polish Accounting Act.

For 2025, the obligation to electronically send accounting books to the tax office, after the end of the fiscal year, in the unified form of a SAF-T file (Standard Audit file for Tax) has been implemented - for capital groups and taxpayers with revenue earned in the previous fiscal year exceeding the equivalent of €50 million. In subsequent years, this obligation will successively cover the following groups of taxpayers.

Loss carryback

Basically not possible.

Certain specifics in case of taxpayer passing from standard CIT taxation of taxable income to the alternative mode of CIT taxation of distributable net profits only.

Loss carryforward

Basically, losses incurred within each of two separate sources of income (i.e. operational vs investment income) may be set-off with profits obtained from that source of income (exclusively) within the following 5 years, no more than 50% of loss annually.

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Possibility to make a deduction by the amount of up to PLN 5 million in one of the above mentioned 5 years without regard to limitation to 50% of loss annually in this year.

Certain set-off restrictions have to be observed, particularly in case of restructuring.

Shell company purchase

Under certain circumstances loss carryforwards may be lost in case of restructuring.

Operating expenses

Basically tax deductible costs are the ones incurred to generate taxable revenues from a given source of income (operational vs investment income), or to maintain or secure that source of income.

There is a catalogue in the Polish CIT Act of various kinds of expenses whose tax deductibility is excluded or limited.

If the taxpayer chose alternative mode of taxation of distributable net profits only - taxable profit would be basically calculated based on the accounting regulations.

Transfer prices

Arm's-length basis.

Certain conditions have to be observed to perform a TP adjustment.

Safe harbour provisions applicable to certain 'low value adding services' and loans.

TP documentation (TPD) may be required, basically depending on the type and value of the transaction between the related parties. TPD has to contain particular elements specified in the Polish CIT & TP regulations, basically including benchmarking study. General requirements as to TPD may be simplified or removed, e.g. with regard to transactions between Polish-based parties under certain circumstances.

Taxpayers are also obliged to fulfill additional reporting obligation i.e. submit to the tax office a yearly information on the applied transfer prices.

Certain TP obligations apply respectively to transactions with entities from 'tax havens'.

Polish Ministry of Finance issued numerous guidelines with regard to various TP topics.

Interest on debt financing of acquisition of shares

Generally deductible, subject to interest barrier.

However, no deductibility when it comes to acquisitions (equity transactions) within the group and for interest payments in case of use of 'debt-push-down' mechanism in restructuring.

Debt / equity

No legally defined limits.

Various interest barriers for CIT purposes have been in force throughout the years.

Tax depreciation

Depreciation methods: (a) straight-line depreciation or (b) accelerated degressive (for machinery, equipment and means of transport, excluding passenger cars).

Write-offs are made annually or in equal monthly / quarterly instalments.

Yearly tax depreciation rates are specified in the appendix no. 1 to Polish CIT Act.

Standard tax depreciation rates may be increased for extraordinary wear and tear or for machinery and equipment that undergo rapid technological development.

Depreciation rates may be set individually, subject to certain limitations, for used or improved fixed assets which are for the first time put into service by a given taxpayer.

The special rules for determining the individual rate are applied to micro-, small- or medium-sized entrepreneurs for self-generated fixed assets that are non-residential buildings (premises) and structures, included in groups 1 and 2 of the Classification of Fixed Assets that are first entered in the records of fixed assets and intangible assets of a given taxpayer, where this fixed asset is located in an area in municipalities located in districts or cities with district rights with a high unemployment rate, which are also municipalities located in districts or cities with district rights with low wealth index.

Standard tax depreciation rates may be decreased by the taxpayer on the annual basis.

No obligation to make depreciation write-offs on assets on certain assets whose initial value does not exceed PLN 10,000; expenses incurred for their acquisition are then deductible in the month in which they are put into use. 'Small taxpayers' or the taxpayers starting-up their

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business in a given tax year may enjoy one-off depreciation write-offs in the combined amount of up to EUR 50,000 yearly from machinery, equipment and means of transport, excluding passenger cars (de minimis aid).

Taxpayers may enjoy one-off depreciation write-offs in the combined amount of up to PLN 100,000 yearly from purchased brand new machinery and equipment.

No tax depreciation of residential buildings and premises.

Tax deductible depreciation write-offs from investment properties made by 'real estate companies' (as defined in the Polish CIT Act) may not be higher in a given tax year than accounting depreciation write-offs thereof.

Provisions

Tax deductible: (a) write-downs on amounts receivable provided that debt uncollectibility was substantiated properly in accordance with the Polish CIT law; (b) allocations to company social benefits fund under certain conditions, (c) allocations to fund, separated in reserve capital, established for investment purposes, under certain conditions.

Non-tax deductible: basically provisions recognized in accordance with the accounting regulations, except for certain types of provisions recognized by financial institutions explicitly indicated in the Polish CIT Act.

Thus non-tax deductible are e.g. provisions for employee benefits, such as unused leaves, retirement and disability benefits, post-mortem benefits, jubilee awards etc. as well as provisions for other uncertain liabilities, future expenses or impending losses.

Motor vehicle expenses

Basically depreciation over at least 5 years (in the case of used vehicles may be shortened to 2.5 years).

Depreciation of passenger cars, paid leasing fees and their insurance - tax deductible are the amounts allocated to car value not higher than PLN 150,000 (for electric cars the threshold is basically PLN 225,000, except for insurance).

Passenger car operating expenses (including non-deductible VAT, if this is the case) where the car is not exclusively used for business purposes - tax deductibility limited to 75% of incurred expenses.

Deduction of expenses incurred on behalf of employees due to use of private cars for taxpayer's business purposes up to official rate per kilometre (PLN 1.15 / 0.89).

Certain vehicles may be excluded from tax restrictions provided for passenger cars (e.g. van, multi-purpose vehicle, pick-up) under certain conditions.

Non-deductible expenses

Representation expenses i.e. basically considered as the ones that are image-related (advertising costs are 100% deductible);

Gifts and donations;

Business income tax;

Expenses directly related to non-taxable or tax-paid income/revenues (from interest, royalties and dividends);

Payments exceeding PLN 15,000 (a) made without bank transfer or (b) transferred as remuneration for supply of goods or services to bank account other than the one disclosed on so called 'white list' of the taxpayers kept by the tax administration or (c) made bypassing the mandatory 'split payment mechanism', where applicable for VAT purposes.

Note: tax deductible depreciation write-offs from investment properties made by 'real estate companies' (as defined in the Polish CIT Act) may not be higher in a given tax year than accounting depreciation write-offs thereof. Global minimum tax, national minimum tax, minimum tax on under-taxed and equivalent taxes imposed in countries other than the Republic of Poland.

Interest barrier

Surplus of interest (and other debt financing costs) exceeding either (a) 30% of EBITDA specifically calculated for CIT purposes or (b) PLN 3 million - depending on which is higher.

Surplus not deducted in a given tax year may be settled within the following 5 years, subject to limits applicable in those years.

Interest and royalties to intra-group companies

Interest from debt financing are basically subject to interest barrier, regardless of whether paid to related or non-related parties.

Withholding taxes

Generally 20% for interest, royalties and certain intangible services; in the case of capital gains - 19%.

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Polish-based payer is obliged to withhold and pay the tax (also on behalf of the local beneficiary of investment income, where this is the case). A DTA can provide for a lower rate of taxation or non-taxation; exemptions provided for payments to intra-group companies on the basis of the relevant EU Directives and domestic regulations.

'Due care' is required in order to use the relief / exemption; the tax residence certificate of the foreign taxpayer has to be obtained; specific statement on beneficial ownership is required in order to use the exemption for intra-group payments.

Relief or exemption is granted by reduction at source or with use of pay & refund mechanism.

Pay & refund mechanism applies basically to surplus of payments made to related party exceeding PLN 2 million in a given tax year, unless the payer submits the relevant statement to the tax office on lack of obstacles to apply the relief / exemption or the authority issued the relevant opinion on use of preferences.

Refund claim needs to be accompanied by detailed documentation to substantiate entitlement to use preference. Refund claim is submitted by the payment beneficiary (e.g. foreign taxpayer) or by the paying party under certain circumstances.

Payments for intangible services are not covered by the WHT pay and refund system.

Interest

20% tax rate or lower tax rate per applicable DTA or tax exemption based on the EU Interest and Royalty Directive for group purposes and domestic regulations.

Royalties

20% tax rate or lower tax rate per applicable DTA or tax exemption based on the EU Interest and Royalty Directive for group purposes and domestic regulations.

Dividends

19% tax rate or lower tax rate per applicable DTA or tax exemption based on the EU Parent-Subsidiary Directive for group purposes and domestic regulations.

Controlled foreign corporation (CFC) rules

Taxation of certain income of foreign controlled entities / permanent establishments thereof at the level of the controlling Polish CIT taxpayer. CFE is defined in Polish CIT Act by use of various criteria:

- 1) controlled entity based in tax haven,
- 2) controlled entity based in the country having no agreement with Poland nor EU on cooperation in the area of tax information exchange,
- 3) controlled foreign entity (incl. by way of holding more than 50% share in it by the Polish taxpayer, individually or jointly with other specified parties) whose effective taxation in the foreign country is 14,25% or less and:
 - (a) whose passive revenues represent at least 33% of its total revenues or
 - (b) whose passive revenues are lower than 30% of value of certain assets generating those revenues and those assets basically constitute 50% of value of entity's all assets or
 - (c) who achieves specifically calculated high rate of return from held assets [more than $20\% \times (\text{carrying value of assets} + \text{annual employment costs} + \text{accumulated value of depreciation write-offs})$] and achieves less than 75% revenues from transactions with non-related parties based locally.

Hybrid mismatches

Mismatches which, due to differing fiscal recognition methods, lead to a different tax treatment in different countries and may under certain circumstances lead to profit shifting or profit reduction (resulting in double deduction of certain costs or losses in different countries or their deduction in one country without taxation in another).

Neutralized by regulations which, as a rule, provide for non tax deductability of related costs or related income recognition.

National parent- subsidiary exemption

Dividends (basically certain profit distributions) are tax exempt. Conditions:

Minimum share: 10%

Qualifying period: 2 years of unbroken possession

Generally, capital gains, liquidation gains are subject to taxation.

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Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

Capital losses are generally tax deductible, with rules for loss carryforwards against capital gains.

International investments

Dividends (basically certain profit distributions) are tax exempt. Conditions:

- (a) minimum share: 10% (in case of beneficiary being EU or EEG resident) or 25% (in case of Switzerland)
- (b) qualifying period: 2 years of unbroken possession
- (c) cooperation in the area of tax information exchange between Poland and another country.

Generally, capital gains, liquidation gains are subject to taxation.

Capital losses are tax deductible, with rules for loss carryforwards against capital gains.

International parent- subsidiary exemption and portfolio investments

Tax credit method in case of foreign dividends and capital gains.

Tax credit carryforward of foreign corporate income tax is possible in certain circumstances (with regard to revenues from participation in profits), where Poland has a DTA with another non-EU nor EEG country; minimum share in foreign company: 75%, qualifying period: 2 years of unbroken possession.

Tax exemption of dividends from foreign company being EU, EEG or Swiss resident; minimum share in foreign company: 10% (or 25% in case of Switzerland), qualifying period: 2 years of unbroken possession.

Preferences apply provided that there is a cooperation in the area of tax information exchange between Poland and another country.

Generally, capital gains are subject to taxation.

Capital losses are tax deductible, with rules for loss carryforwards against capital gains.

Goodwill amortisation

In case of asset deal: purchase or financial leasing (as defined in Polish CIT Act) of enterprise or organized part thereof

Amortization: 5 years minimum.

Group taxation / pooling

Tax groups

Companies established in Poland linked in a financial hierarchy can under specified circumstances constitute a tax group for CIT purposes.

Parent company must hold at least 75% share capital in other group members.

Minimum duration of group: 3 years

Members of tax group may only be: limited liability companies, joint-stock companies and simple joint stock companies.

Parent company represents the group for tax purposes, collects and pays the tax on behalf of the whole group.

Joint responsibility of all group members for tax liabilities of the group.

The taxable profits or losses of the members of a group are summed up, with rules applicable to separate sources of income (operational vs investment income). Group losses are set-off against group profits respectively with use of standard rules for loss carryforwards. Group losses cannot be set-off against profits of members of group after end of the group. Losses of members of group incurred before creating the group may be set-off against group profits under certain circumstances.

Pooling

N/A

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