TAX SERVICES

getsix®

• Business Services & Consulting
• Accounting & Payroll
• IT Sales & Services
• Tax & Legal

Invest in Poland 2015

Societies and taxes

(with amendments from 01 January 2015)

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FIRST-CLASS PERFORMANCE FOR FULL SERVICE FINANCE & ACCOUNTING SOLUTIONS

Many companies are confronted with the need to reduce accounting costs and to comply with the required financial reporting standards. Compounding this problem is the requirement that they must address these requirements, with resource constraints on their capital budget and staffing. These compliance standards have also added complexities to many of the financial processes.

getsix® has set itself the aim to support companies and entrepreneurs in Poland in addressing these challenges. getsix® in Poland offers a variety of outstanding professional and complementary services in the following areas:

- Business Services & Consulting
- Accounting & Payroll
- IT Sales & Services
- Tax & Legal

The customer base of getsix® includes Polish clients, but also a variety of international companies with Polish subsidiaries and/or branches, especially from German speaking areas. In order to facilitate our mutual co-operation with our clients, we operate at their disposal a getsix® English Desk with a fluent English speaking team of dedicated specialists. As well as offering our services in the English language, we also offer in German and Polish.

With over 85 dedicated staff members who have many years of experience in their different areas of expertise, will gladly assist you with your business activities in Poland. The range of services we offer can be individually tailored and structured in line with the needs of your company.

A dedicated staff member will always take responsibility for their clients service, as a permanent contact person for advice and support.

During 2014 getsix® Group joined HLB International, a leading network of independent professional accounting firms and business advisers with member firms well-established in Poland, and world-wide mostly ranked among the top 12 nationally. Once we realised the importance for an alliance in Poland with member firms, we set-up HLB Poland. This makes us even stronger, even more flexible with a combined staff of over 210, covering all areas of accounting, auditing, payroll, HR, along with advisory, tax and financial services, complimented with a fully developed and sophisticated range of technical IT solutions.

The core client values of the HLB Poland alliance:

- an established quality network
- local knowledge, with global expertise
- partner-led personal service guarantees client loyalty
- a range of value added services

If you have any questions or queries, or just have a question to ask - please do not hesitate to contact us.

getsix® Group is at your service.

FOREIGNERS' STARTING UP A BUSINESS IN POLAND

Legal basis	The main law governing the business activity of foreigners in Poland is the Economic Activity Freedom Act of 02 July, 2004. In accordance with the Economic Activity Freedom Act a foreigner is: (1) a natural person holding no Polish citizenship, (2) a legal person with the seat abroad and (3) an organisational entity which has no legal personality and is furnished with legal capacity, possessing its seat abroad.
A. Foreigners from:	• member states of the European Union • member states of the European Free Trade Agreement (EFTA) - parties to the agreement on the European Economic Area • states that are not parties to the agreement on the European Economic Area and that enjoy freedom of established under agreements concluded by those states with the European Community and its member states - may establish and conduct economic activity based on the same terms as the Polish citizens
B. The above rule also applies to foreigners who are not citizens of the states indicated in point A and who:	• have received a permit to settle in Poland • have received a permit to stay in Poland under the status of a long-term resident of the European Community • have received a residence permit in Poland for a specified period of time due to circumstances referred to the Foreigners Act of 13 June, 2003 • have a refugee status in Poland or enjoy supplementary protection • have received a permit for tolerated residence • have received a residence permit in Poland for a specified period of time and have been married to a Polish citizen residing in Poland • enjoy temporary protection in Poland • have a valid Pole's Card • are family members of citizens of states indicated in point a above and join or stay with them in Poland
C. Business activity forms:	Unless international agreement state otherwise. Foreigners other than those indicated above in points A and B have the right to establish and conduct business activity (including joining below-mentioned partnerships/companies and acquiring their shares) only in the form of: • a limited partnership • a limited joint-stock partnership • a limited liability comany and • a joint-stock company Moreover, foreign entrepreneurs, i.e. a foreign person conducting economic activity abroad and a Polish citizen conducting economic activity abroad, may conduct business activity in the form of a branch office or they may establish a representative office in Poland.

BRANCH OF A FOREIGN COMPANY

Basis

According to the Polish law, foreign entrepreneurs may set up branch offices to carry out business activity in the Polish territory. An entrepreneur from a foreign country is allowed to establish a branch on condition that a Polish entrepreneur enjoys equivalent rights in the country of origin of the foreign entrepreneur (reciprocity rule), unless the international agreements ratified by Poland state otherwise. The above does not concern entrepreneurs from EU and EEA countries as well as from countries that are parties to association agreements with the EU in the area of the freedom of establishment. Such entrepreneur's may freely set up branch offices in the Polish territory. a branch does not possess legal personality, it constitutes an integral part of the foreign enterprise and cannot acquire rights or incur obligations in its own name, cannot sue or be sued. However, branches have significant independence with respect to employment matters. The scope of business activity of the branch may not go beyond the foreign entrepreneur's scope of activity. Some special regulations (both in Poland and European Union) regarding opening a branch may be applicable to specific industries, e.g. when opening a branch of a foreign bank, insurance company or investment company. In such cases, the opening of a branch should be seen in light of those specific regulations (which may differ from the general rules).

REPRESENTATIVE OFFICE

Basis

Foreign entrepreneurs may set up their representative offices in Poland. The representative office does not constitute a separate legal entity and is treated as part of a foreign enterprise's organisational and functional structure.

It cannot acquire rights or incur obligations, sue or be sued. The representative office may be established by the foreign entrepreneur only to advertise and promote the business of the entrepreneur in Poland.

FORMING OF COMPANIES IN POLAND

	POLISH TERM	ENTRY INTO COMPANY REGISTRY / LEGAL PERSONALITY	MINIMUM CAPITAL	SINGLE-MEMBER COMPANY
LIMITED LIABILITY COMPANY (LTD.)	Spółka z ograniczoną odpowiedzialnością	Yes / Yes	5,000.00 PLN Minimum face value 50.00 PLN	Yes
Incorporated Company	Spółka Akcyjna	Yes / Yes	100,000.00 PLN Minimum face value 0.01 PLN	Yes
Co-operative (Co-op.)	Spółdzielnia	Yes / Yes	No	No at least 10 members (5 in anagricultural co-operative). Does not apply if at least 3 members are legal persons.
General Partnership	Spółka jawna	Yes / No	No	No at least 10 members (5 in anagricultural co-operative). Does not apply if at least 3 members are legal persons.
Limited Partnership	Spółka komandytowa	Yes / No	No	No
Limited joint-stockpartnership	Spółka komandytowo--akcyjna	Yes / No	50,000.00 PLN	No
Partnership under the Civil Code	Spółka cywilna	No / No	No	No
Branch	Oddział	Yes / No	No	
Permanent tax establishment	Zakład	No / No	No	

	START-UP DUTY	WRITING / NOTARIAL	TRANSPARENCY	REGISTRATION WITH THE TAX AUTHORITIES	STATUTORY AUDIT: TURNOVER ≥ 5,000,000.00 EUR; BALANCE SHEET TOTAL ≥ 2,500,000.00 EUR; EMPLOYEES ≥ 50
LIMITED LIABILITY COMPANY (LTD.)	0.5% tax on the articles of association / Entry in the Commercial Register	Yes / Yes	No	Yes	Provided that at least two of those requirements are met
Incorporated Company	0.5% tax on the articles of association / Entry in the Commercial Register	Yes / Yes	No	Yes	Compulsory
Co-operative (Co-op.)	No / Entry in the Commercial Register	Yes / No	No	Yes	Mandatory
General Partnership	0.5% tax on the articles of association / Entry in the Commercial Register	Yes / No	Yes	Yes	Provided that at least two of those requirements are met
Limited Partnership	0.5% tax on the articles of association (Yes for the Limited Partnership having a Limited Liability Company as general partner) / Entry in the Commercial Register	Yes / No	Yes	Yes	Provided that at least two of those requirements are met
Limited joint-stockpartnership	0.5% tax on the articles of association / Entry in the Commercial Register	Yes / Yes	Yes	Yes	Provided that at least two of those requirements are met
Partnership under the Civil Code	0.5% tax on the articles of association / Entry into the CEIDG free of charge	Yes / No	Yes	Yes	Provided that at least two of those requirements are met
Branch	As a rule no; Entry in the Commercial Register	–	–	Yes	In the context of any audit of the parent company
Permanent tax establishment	–	–	–	Yes	In the context of any audit of the parent company

INVESTMENT BASICS

Currency - Polish Złoty (PLN)

Accounting principles/financial statements - Polish GAAP or, in some cases, IFRS. Financial statements must be prepared annually. Special rules apply to stock listed companies.
Foreign exchange control - None (generally) for transactions with EU, EEA, OECD and certain other countries. Permission may be required for certain transactions with other jurisdictions and to conduct certain transactions in a foreign currency.
Principal business entities - These are the limited company (Sp. z o.o.), joint stock company (SA), limited joint-stock partnership, limited partnership, sole proprietorship and branch of a foreign corporation.

TAX SYSTEM IN POLAND CONSIST OF 16 TYPES OF TAX

Direct taxes:

- Corporate income tax (CIT)
- Personal income tax (PIT)
- Social security
- Inheritance and Gift tax
- Civil law transactions tax (PCC)
- Stamp duty
- Market fees
- Visitor's tax
- Capital gains tax
- Transfer tax

Indirect taxes:

- Value Added Tax (VAT) & Excise duty
- Lottery tax

Local taxes:

- Real property tax
- Transport vehicle tax
- Agricultural & Forest tax
- Dog ownership tax

ADMINISTRATION & COMPLIANCE

Tax year:

Calendar year: alternatively financial year can be applied for, in which the Revenue & Tax office must be informed in writing.

Filing requirements:

Taxpayers must self-assess and pay advance income tax during the year and may use a simplified method based on previous years' results. The final calculation and reconciliation of the tax due should be made within three months of the end of the tax year.

Penalties:

Persons responsible for the tax reconciliation, as well as members of the management board in certain cases, are subject to penalties for non-compliance. In certain cases, corporate entities may be subject to penalties.

Taxation procedure:

Contrary to other European countries applying for general tax assessments performed by revenue authorities, Poland applies the principle of the self-assessment by the tax subjects.

The taxpayer must calculate the tax themselve to issue a tax return and to pay the amount due on time.

Limitation period:

In principle tax debts become time-barred after 5 years.

Once the limitation period expires, the tax liability along with accrued default interest ceases to exist default interests

ADMINISTRATION & COMPLIANCE *CONTINUATION*

Registration and licensing	Polish law protects intellectual property, and the licensing of foreign brand names and products is accepted practice. Licensing is prevalent in high-tech industries, pharmaceuticals and retail franchises. Licensed products produced in Poland may be exempt from import tariffs and excise duty and may also benefit from being classified as a Polish product. The granting of licences is not subject to official restrictions or approval. A licenser may not sublicense.
Accounting standards	Under the IASCF Constitution the objectives of the International Accounting Standards Board are: • To develop, in the public interest, a single set of high-quality, understandable and enforceable global accounting standards that require high-quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions • To promote the use and rigorous application of those standards and • To bring about convergence of national accounting standards and International Accounting Standards to high-quality solutions
Principal forms of doing business	Companies can take a variety of forms, including joint-stock company (S.A. - Spółka Akcyjna) and limited-liability company (Sp. z o.o. - Spółka z ograniczoną odpowiedzialnością).

BUSINESS REGULATIONS

Requirements of an S.A. and Sp. z o.o.	**Capital** **Sp. z o.o.:** The minimum capital required to establish a limited-liability company is 5,000.00 PLN. A limited-liability company may have a single shareholder. **S.A.:** The minimum start-up capital for a joint-stock company is 100,000.00 PLN of which 25% must be paid up before registration. A joint-stock company can be established by one or more founding members, who must sign an articles of association agreement. **Taxation of capital companies (CIT)** Capital companies are separate taxpayers to CIT. In principal, the companies are subject to taxation on their global income. With regards a management board, taxation on their global income only if they have a Polish certificate of residence. Taxable income consists of all revenues earned in a tax year (financial and operational), net of deductible costs. This income is subject to CIT at the rate of 19%. Capital companies are payers of VAT and other taxes in an ordinary fashion **Reserve** **Sp. z o.o.:** None. **S.A.:** 8% of annual net profits, until reserve reaches one-third of share capital.

BUSINESS REGULATIONS *CONTINUATION*

Requirements of an S.A. and Sp. z o.o.	**Founders, shareholders** **Sp. z o.o.:** There are no restrictions on number, nationality or residence of shareholders. **S.A.:** The company must be founded by at least one natural or legal person. Once the company has been established, one shareholder may buy out others. There are no residence or nationality requirements **Supervisory board** **Sp. z o.o.:** If share capital exceeds 500,000.00 PLN and there are more than 25 shareholders, the company must have a supervisory board with at least three persons. **S.A.:** a supervisory board with at least three members, each appointed for a term of up to 5 years, is required. **Both:** No residence or nationality requirements, but the chairman of the board for banks registered in Poland must have a working knowledge of Polish. **Management** There are no residency requirements. Management need not be shareholders for either joint-stock or limited-liability companies. **Sp. z o.o.:** The term of office is not defined. **S.A.:** The management board may be appointed for an initial term of up to 2 years, with subsequent terms of up to 3 years each. **Labour** Employees have no influence over the management of private-sector firms unless they are shareholders. Employees appoint one-third of the supervisory board of firms undergoing privatisation, but this right expires once 51% of shares are sold. Employees are entitled to form trade unions. **Disclosure** Both are obliged to prepare annual balance sheets and profit-and-loss statements for filing with a local tax office.
Sole proprietorship	A sole proprietor is an individual who conducts business activity in his/her own name and on his/her own behalf. There is no legal requirements regarding the amount of the initial capital to undertake business activity as a sole proprietor in Poland. Also, no new legal entity is established as a result of such undertaking. The business of the sole proprietor may be transformed into a capital company, i.e. a limited-liability company or a joint-stock company

Civil law partnership	Two or more sole proprietors as well as other legal entities, i.e. partnerships and capital companies, may decide to establish a civil law partnership. a civil law partnership is not a separate legal entity and does not possess legal personality. It also cannot acquire rights or incur obligations in its own name and on its own behalf, it can not sue or be sued. Contributions and possessions generated during the business operations of the civil law partnership are owned by partners as joint co-ownership. Civil law partnerships may be transformed into registered partnerships based on a unanimous decision of the partners.
Professional partnership	Professional partnerships may be established by specific professionals as defined and listed in the Polish Commercial Companies' Code (lawyers, architects, tax advisers, accountants, doctors, dentist, and others). The professional partnership may be formed for the purpose of pursuing more than one profession, unless the law prohibits this specifically. As in the case of registered partnerships, professional partnerships do not have legal personality, but have legal capacity and capacity to perform legal actions (they may acquire rights, including ownership of a real estate, and incur obligations in their own name, as well as sue and be sued).
Limited partnership	A limited partnership is usually preferred when investors seek a way to differentiate their involvement in the partnership entity and consequently their liability for the transactions performed by partnership. The distinctive feature of this partnership is that the legal positions of partners are not equal - general partner(s) and limited partner(s) - which results in significantly different levels of rights and liabilities.
Limited joint- stock partnership	A limited joint-stock partnership is the most complex type of partnership, as its structure combines the elements of both the registered partnership and the joint-stock company. Like other partnerships, the limited joint-stock partnership has no legal personality, but it has legal capacity, which means that it may acquire rights, and incur obligations in its own name. The limited joint-stock partnership may also sue and be sued. Limited joint-stock partnerships are established by at least one general partner and one shareholder. Participation of shareholders is a consequence of a capital-focused character of the limited joint-stock company.

BUSINESS REGULATIONS *CONTINUATION*

Limited liability	A limited liability company is the most popular and flexible form of conducting business activity in Poland. It is Polish equivalent of the private limited liability company in the UK, a société à responsabilité limitée (sarl in France, or a Gesellschaft mit beschänkter Haftung (GmbH) in Germany. Limited liability companies may be established for any purpose allowed by law. They are often used as special purpose vehicles, holding companies and as national companies controlled by international corporations. The personal structure of the limited liability company may be, in general, changed without affecting the legal structure of the limited liability company, which is normally not the case with a partnership. a limited liability company may also be run by a single founder/shareholder. However, a single-shareholder limited liability company cannot incorporate another single-shareholder limited liability company. Although a limited liability company is a capital company, it still preserves some personal elements, such as the possibility to limit the disposal of the company's shares or establish the shareholder's right of individual control of the limited liability company. The shares of a limited liability company do not take the form of a document and cannot be listed on the stock exchange.
Joint-stock company	A joint-stock company is the Polish equivalent of the public liability company in the UK, société anonyme (SA) in France and the German Aktiengesellschaft (AG). Joint-stock companies are rather expensive to run and are primarily used for large-scale business activities, in particular, if public is to be considered as a way of obtaining capital. Formally it is more structured than the limited liability company. The shares of joint-stock companies may be publicly traded (listed on the Stock Exchange). The Polish law provides stricter and more complex rules with respect to public joint-stock companies regarding their capitalisation, composition of the governing bodies, compliance and reporting duties.

LEASING

Leasing types

In their everyday work entrepreneurs deal with two kinds of leasing: operational and financial. These two definitions also result from the tax regulations. Choosing the form exclusively depends on the taxpayer using the lease contract which can be subject to the needs of settling the tax costs and the term of predicted usage of the subject of the leasing.

The Operational Leasing

With this form of the contract the subject of the leasing is recognised as assets of the leasing party (for instance, a leasing company). Thus, it is the leasing party who is obliged to make the depreciation and amortisation expenses. However, the leasing instalments constitute the tax deductible expenses of the party using the subject of the contract; VAT and an initial charge are added to these instalments. The sum of the instalments set in the contract reduced by the due VAT has to correspond to at least the initial value of the tangible fixed assets. Shall the term of the contract expire the leaseholder is entitled to redeem the used subject.

The Financial Leasing

Choosing this kind of the lease contract the taxpayer has to know that the subject of the contract is to be recognised as the asset of the Leaseholder; thus, unlike the operational leasing, it is the leaseholder who is obliged to make the depreciation and amortisation expenses. Additionally, the user may only recognise the interest part of the leasing instalment as the tax deductible expenses. VAT shall be paid in full in advance together with the first instalment, immediately after collecting the subject of the contract. It is worth mentioning, that the customer becomes the owner of the subject of leasing automatically after the last instalment is paid.

LEASING *CONTINUATION*

Key Differences:

	The Operational Leasing	The Financial Leasing
Depreciation and amortisation	Duty of the leasing party	Duty of the leaseholder
Term	Longer than 40% of the depreciation and amortisation time of the subject (real property - at least 10 years)	Over 12 months
Tax deductible expenses	The user recognises the net instalments and the initial charge as the expenses	The user recognises the interest part of the leasing instalments and the depreciation and amortisation as the expenses
VAT	Added to the leasing instalments	Paid in advance together with the first instalment
Redeeming	Depending on the depreciation and amortisation rate and the redemption term	After paying the last instalment the subject becomes the possession of the user

The key factor when choosing the form of leasing are definitely the initial costs which are significantly lower in case of the operational leasing due to the lower involvement of equity. The majority of contracts concluded on the Polish market are the operational lease contracts; one of the reasons of such situation may be the fact that in case of the financial leasing VAT has to be paid in full in advance.

Choosing the operational leasing is also recommended in case the planned term of using the subject is relatively short. For this reason it is possible to increase the current operational costs which means reducing the tax base.

CORPORATE INCOME TAX (CIT)

Legal basis	*Act of 15 February, 1992 on corporation tax*
Basic information	Residents are taxed on worldwide income; non-residents are taxed on Polish-source income only. Foreign-source income derived by residents is generally subject to corporation tax in the same way as Polish-source income, usually with a foreign tax credit available, unless a tax treaty provides otherwise. Branches are generally taxed the same as subsidiaries.
Tax rate (CIT)	**19%** Corporate income tax rate for unlimited and limited taxable corporations, however, no minimum corporate income tax
Payment method	Monthly advance payments, amounting to the difference between the tax due at the beginning of the year and the total sum of already made advance payments, where applicable settlement of the advance payments in simplified form possible
Tax liability	• unlimited: corporations with their executive board or headquarters in Poland • limited: corporations having no executive board or headquarters in Poland – tax liability on the revenue generated in Poland
Company limited by shares of Corporate Income Tax (CIT) taxpayers	Since 1st January, 2014, a Polish company limited by shares is obliged to pay CIT. Contrary to earlier announcements profits generated by limited partnerships are exempt from CIT taxation.
Financial year	Calendar year: alternative financial year can be applied, in which the Revenue & Tax Office must be informed in writing
Accounting	generally double-entry accounting according to the Accounting Law dated 29.09.1994
Tax loss compensation	Tax loss compensation is possible within a period of five years: Within one year not exceeding 50% (the balance in subsequent years), no loss carryback.
Affiliated companies	According to the OECD – Model Tax Convention (OECD-MA) if: • Company is involved directly or indirectly in the management, control or capital oft he other company (subsidiary), or • The same persons participate directly or indirectly in the management, control or capital of both companies (sister company)
Deductible operating expenses	Those expenses are tax deductible, when incurred to generate revenue, or to maintain respectively to secure the source of income; exceptions hereof are written down in the Law on Corporate Income Tax (e.g. purchase of land, representation expenses e.t.c.) The obligation for correction of accounted deductible operating expense, provided that the appropriate bill was not paid within the defined period
Transfer prices	• External or internal price comparison • Resale price method Profit distribution methods / net margin method (if the above are not applicable)

CORPORATE INCOME TAX (CIT) *CONTINUATION*

Interests of credit/ externally financed stakeholdings	Generally deductible
Thin capitalisation rules	A corporation financed through debt by a parent company shall only add a part of its interest payments to the tax-deductible costs. As of January 1st, 2015, the related rules will be changed - this issue is specified below.
Ways of depreciation	Depreciation methods: straight-line, declining, balance method only allowed for special machinery, equipment and transport. An immediate write-off is possible for low-value assets with an acquistion value up to 3,500.00 PLN (net) Depreciation rates: • Real Estate: 2.5% • Buildings: 4.5% • Machinery and equipment: 7% - 25% • Cars and Trucks: 20% • Computer: 30% If technically verifiable or in case of used assets, other rates are permitted.
Provisions	Balance Legal Provisions are not recognised for tax purposes in general (a few very restrictive exceptions)
Passenger car costs	Depreciation and insurance costs of cars which cost more than 20,000.00 EUR net – relates to the amount that is higher than 20,000.00 EUR
Non-tax-deductible expenses	Amongst others (detailed list in Article 16, Paragraph 1 of the Tax Act) • Expenses for the purchase of land plots in ownership or the purchase of beneficial interests (usufruct rights) for a specified in advance limited period in time except the fees and commissions related to the purchase of beneficial interests • Depreciation and insurance costs for cars with an acquisition value of more than 20,000.00 EUR net • Interest, bank charges and exchange rate differences of loans, which increase the investment costs in the acquisition stage • Charged but unpaid interests or interests waived, payable for debts including loans. • Most of the accruals set up on the balance sheet • Expenses for the acquisition or purchase of shares • Entertainment expenses, mainly for entertainment

Withholding tax	**Dividends** Dividend paid by a Polish resident company to a non-resident company are taxed at a rate of 19% unless the rate is reduced under a tax treaty or the dividends qualify for participation exemption under the EU parent-subsidiary directive. **Interest** Interest paid to a non-resident is subject to a 20% withholding tax unless the rate is reduced under a tax treaty or the EU interest and royalties directive. **Royalties** Royalties paid to a non-resident are subject to a 20% withholding tax unless the rate is reduced under a tax treaty or the EU interest and royalties directive. **Other** Fees for specified intangible services (e.g. advisory, accounting, legal, technical, advertising, data processing, market research, recruiting, management, control services, guarantees, etc.) are subject to a 20% withholding tax (subject to the provisions of an applicable tax treat).
Dividends	19% respectively the particular double taxation treaty, the application and adherence of the EU-Parent-Subsidiary Directive for the taxation of parent and affiliated companies. **Domestic corporations:** Exemption from withholding tax for payments done by a Poland resident corporation towards another Poland resident corporation. **Condition:** The entitled to the dividends must dispose of minimum 10% of the shares of the liable to pay dividends corporation for an uninterrupted period of 2 years. The beneficiary of the dividends shall not make use of a tax exemption with respect to his whole income independent from the source of its realisation (declaration of the beneficiary of the dividends required).

CORPORATE INCOME TAX (CIT) *CONTINUATION*

Dividends *(Cont.)*

International:

Dividends received by a Polish resident company (with certain exceptions in the case of limited joint-stock partnerships) from another Polish company or an EU/EEA or a Swiss company are exempt from taxation if certain holding and participation requirements are met. If the exemption does not apply, dividends received are subject to taxation, but a credit for foreign withholdings tax and, in some cases, underlying foreign corporate tax paid is available.

European Union (EU), European Economic Area (EEA):

Exemptions from withholding tax for dividends, paid by a resident in Poland corporation towards a corporation resident in a country of the EU or the EEA.

Condition: The entitled to the dividends must dispose of minimum 10% of the shares of the liable to pay dividends corporation for an uninterrupted period of 2 years.

The beneficiary of the dividends shall not make use of a tax exemption with respect to his whole income independent from the source of its realisation (declaration of the beneficiary of the dividends required).

Switzerland:

Exemption from withholding tax for dividends, paid by a corporation resident in Poland towards a corporation resident in Switzerland.

Condition: The entitled to the dividends must dispose of minimum 25% of the shares of the liable to pay dividends corporation for an uninterrupted period of 2 years.

The beneficiary of the dividends shall not make use of a tax exemption with respect to his whole income independent from the source of its realisation (declaration of the beneficiary of the dividends required).

Dividends a Polish corporation receives from:

European Union (EU), European Economic Area (EEA)

Tax exemptions for dividends which a corporation resident in Poland receives from a corporation being resident in one of the European Union (EU) or European Economic Area (EEA) countries.

Condition: The Polish corporation must dispose of minimum 10% of the shares of the liable to pay dividends corporation for an uninterrupted period of 2 years.

The beneficiary of the dividends shall not make use of a tax exemption with respect to his whole income independent from the source of its realisation (declaration of the beneficiary of the dividends required).

Switzerland

Tax exemptions for dividends which a corporation resident in Poland receives from a corporation being resident in Switzerland.

Condition: The Polish corporation must dispose of minimum 25% of the shares of the liable to pay dividends corporation for an uninterrupted period of 2 years.

The beneficiary of the dividends shall not make use of a tax exemption with respect to his whole income independent from the source of its realisation (declaration of the beneficiary of the dividends required).

Other countries with Double Taxation Treaties

Set-off of already paid withholding tax and pro-rata corporate income tax for Polish corporations, which dispose for an uninterrupted period of 2 years, at least 75% of shares of the liable to pay dividends corporation with its registered headquarters in another country with which Poland concluded a double taxation treaty.

Other countries (without double taxation treaties)

Set-off of already paid withholding tax for Polish corporations, which dispose of shares of the liable to pay dividends corporation with its registered headquarters in another country with which Poland did not conclude a double taxation treaty.

CORPORATE INCOME TAX (CIT) *CONTINUATION*

Choice of the settlement method of accounting of exchange differences	Corporation and Income taxpayers (CIT and PIT) that are obliged to produce financial reports have the right to choose the accounting method to calculate the exchange differences mentioned in Article 9b, Paragraph 1, Point 2 (CIT) or Article 14b, Paragraph 2 (PIT). The accounting method chosen depends on certain conditions. Above all, the taxpayers are obliged to notify the competent tax office in writing, of the chosen method by the end of the first month of the tax year in which the method will apply (in the case of taxpayers who start their business activities - within 30 days of start-up). If this is the case and the taxpayer requires to continue business activities, applying the balance method of calculating exchange differences from 1st January, 2015, it should notify the tax office about this before 31st January, 2015. In addition, during the period of applying a specific accounting method to calculate exchange differences, the annual financial statements of taxpayers must be audited by state-authorised public accountants. In this case the reported and audited exchange differences are tax deductible. The introduction of statutory audits aims to confirm the accuracy of the calculated exchange differences. The period of applying the accounting method cannot be less than 3 years. A taxpayer who selects the accounting method for calculating exchange differences, as of 1st January, 2015, and has notified the competent tax office within the statutory deadline, has to apply it until at least the end of 2017. The accounting method chosen may be waived as of 1st January, 2018. If you select the balance method of calculating exchange differences, taxpayers on the 1st day of the fiscal year from which this method was chosen, include income or deductible expenses accrued, exchange rate differences, determined on the basis of the accounting regulations on the last day of the previous fiscal year. From the first day of the tax year for which you have chosen this method, apply the principles of the Accounting Act for calculating the differences
Capital gains	Capital gains are taxed as ordinary income at the standard corporation tax rate 19%.
Foreign tax credit	Foreign tax paid may be credited against Polish tax on the same profits, but the credit is limited to theamount of Polish tax payable on the foreign income.
Incentives	Expenses incurred for acquiring technological knowledge may reduce the taxable base in certain cases. a one-time depreciation write-off up to 50,000.00 EUR also may be available for small and start-up taxpayers.
Profits from investments	Are taxable, are taxed at the CIT rate of 19%

Directive for the taxation of the parent and affiliated company	**Exemption from withholding tax of capital gains distributions provided that:** • Holding period 2 years • Minimum shareholding: 10%
Payments for interest and royalty to non-residents	**Tax exemption applies to:** • Only for interest and royalty payments made between associated companies (parent-subsidiary relationship, or sister-sister-company) • Thereby, the beneficiary of the payment must maintain a capital shareholding of minimum 25%
Amortisation of enterprise value (goodwill)	• Possible for an asset deal, but only performing the purchase of the whole company respectively a separable part of the business operations • Not possible in case of a share deal
Taxation of taxable groups of companies	Since 1st January, 1996 possible important pre-conditions (all the following conditions must be met): • The parent company must have at least 95% of shares in the equity of other companies in the Group • These other companies within the Group must have a minimum of 1 million PLN • To be able to generate income of at least 3% of the gross income in each tax year • Part of a capital Group should be a limited liability company and public company limited by shares
Tax collection dates and deadlines	• Annual tax declaration: filing until the 31 March of the following year, having a deviating tax year until the last day of the third month following the closing date of the tax year • During the fiscal year monthly payments on corporate income tax are due. Payments must be settled until the 20th of the following month
Residence	A corporation or a limited joint-stock partnership (with some temporary exceptions) is tax resident in Poland if its registered seat or management is located in Poland.
Taxable income	Corporation tax is imposed on a company's profits, which consist of business/ trading income, most passive income and capital gains. Normal business expenses (with some limitations) may be deducted in computing taxable income.

OTHER TAX ON CORPORATES

Capital duty	Capital duty is levied at 0.5% of the nominal value of share capital.
Real property tax	Tax is generally levied on the owner of real estate (land, buildings and construction) at rates imposed by the local authorities. Property tax rates depend on property type and location. Tax is paid annually. Tax rates are determined by district authorities, and in 2015, they cannot exceed:

Property type Tax rate	
Land designated for the conduct of business	0.90 PLN/m^2
Residential buildings	0.75 PLN/m^2
Buildings designated for the conduct of business	23.13 PLN/m^2
Structures	2 per cent of the property value (entered as the basis for depreciation

Social security	Employers and employees must make social security contributions in an amount that is approximately 35% of an employee's remuneration (with certain caps).
Stamp duty	Stamp duty is levied, for example, when filling a power of attorney and when the (central or local) authorities are requested to perform activities such as issuing certificates, grant permission, etc. The applicable rates or fixed amounts are specified in the stamp duty law.
Transfer tax	Tax is imposed at a rate of 1%-2% on certain types of transactions (e.g. sales, exchanges of rights, loans) that are not generally covered by VAT. As a rule, transactions exempt from VAT are exempt from transfer tax (except for real estate and shares).
Other	Excise tax is charged on turnover of selected goods. Shipping companies may opt to pay tonnage tax on certain types of income. a special tax is imposed on the excavation of silver and copper.

ANTI-AVOIDANCE RULES

Transfer pricing	The tax authorities are authorised to make necessary adjustments if they find that transactions between related parties do not accord with the arm's length principle. Transfer pricing documentation must be prepared for related party transactions exceeding a certain materiality threshold.
Disclosure Requirements	Certain transactions must be reported to the tax authorities and/or National Bank of Poland.

PRIVATE INCOME TAX (PIT)

Legal basis	Law dated 26 July, 1991 on Income Tax
Registration *For tax purposes, if PESEL is not applicable*	Needs to be performed in the relevant tax office before the date when first PIT advance is due.
Tax period	For natural persons: Calendar year
Tax rates *(provided that no flat rate taxation scheduled)*	0 – 85,528.00 PLN: **18%** minus **556.02** PLN from 85,528.00 PLN: 14,839.02 PLN + 32% above 85,528.00 PLN
Tax-free income *(income tax allowance)*	3,091.00 PLN (ca. 750.00 EUR) for 2014
Tax period	For natural persons: Calendar year
Tax liability	• unlimited tax liability on worldwide income (unless a Double Taxation Treaty does confine the taxation obligation) • natural persons, who stay in Poland longer than 183 days a year, who have their center of their economic activity or their centre of vital interests in Poland limited tax liability in certain domestic income • natural persons who neither stay in Poland longer than 183 days a year, nor who have their center of their economic activity or their centre of vital interests in Poland PLEASE PAY SPECIAL ATTENTION TO: In contrast to the German tax law there is no distinction between profit and surplus income
Revenue streams	**8 different revenues from:** 1. Special areas in agriculture 2. Economic activity 3. Self-employed (personally performed) activity 4. Employed activity 5. Capital investment and property rights 6. Rent & leasing 7. Capital gains from transfers 8. Other income
PIT progressive rates	**18%** and **32%** for the excess over 85,528.00 PLN (ca. 21,000.00 EUR) (applicable e.g. to employment income or income on dependent services)
PIT flat rate	**20%** (applicable to board members, being Polish tax non-residents after having completed certain requirements) **19%** (applicable e.g. to Interest, capital gains)
Monthly tax compliance	PIT advances for a given month to be paid by 20th day of the following month

PRIVATE INCOME TAX (PIT) *CONTINUATION*

Annual tax compliance	Annual tax return for a given year to be submitted by 30 April of the year following the given year (with some exceptions)
Relevance of the tax authorities	Both registration form as well as payment of PIT liabilities and submission of annual PIT return should be made to the tax office relevant for Polish tax non-residents in the region where a foreign individual stays or to the III Tax Office Warszawa Śródmieście if the work is rendered on the territory of more than one region
Tax residency	Foreign individuals arriving to Poland may become Polish tax residents if their centre of vital (economic or personal) interest moves to Poland, or if they spend in Poland more than 183 days in a tax year. Foreign individuals having their domicile in Poland (i.e. having status of Polish tax residents) are subject to unlimited tax liability in Poland, i.e. they are subject to taxation in Poland on their worldwide income, while individuals not domiciled in Poland (i.e. having status of Polish tax non-residents) possess limited tax liability status in Poland, i.e. they are subject to taxation in Poland only with respect to income earned on the territory of Poland. It should be noted that in order to determine the tax residency status, the regulations of the relevant Double Tax Treaty concluded by Poland should be also taken into consideration.
Legal basis for rendering work in Poland	**Employment contract with the Polish entity** Regardless of the tax residency of the foreign individuals, income received by them under the employment contract concluded with the Polish entity is always subject to the Polish PIT according to the progressive rates of 18% and 32%. The Polish employer is obliged to pay monthly PIT advances on the discussed income calculated according to the progressive PIT rates. Foreign individuals are obliged to calculate their final annual tax liability for given year as well as submit the annual PIT return until 30 April of the following year.

Legal basis for rendering work in Poland *(cont.)*

Foreign employment contract and secondment to Poland

a) Polish tax non-residents

The foreign individuals are personallyresponsible for all PIT compliance activities required by Polish PIT law, i.e. neither foreign employer nor host entity have any obligations in this respect. Please note that the taxable income for Polish PIT purposes includes all income obtained in connection with work in Poland, including remuneration, bonuses of all kind and benefits-in-kind. Thus, most benefits provided by the employer or host entity along with or in place of salary are taxable as regular employment income. Income earned by the foreign individuals in Poland may not be subject to PIT in Poland starting from the first day of his or her stay in Poland, only if the following conditions defined in the relevant Double Tax Treaty are simultaneously met:

- presence in Poland last in the aggregate less than 183 days during the particular tax year of 12 consecutive months (depending on the Double Tax Treaty, and
- the remuneration is paid by, or on behalf of, an employer who is not a resident of Poland (it should be however noted that appropriate analysis of economic employer concept should be performed to assess if this condition is met), and
- the remuneration is not borne by a permanent establishment of the employer in Poland

If one of the above conditions is not met remuneration from the foreign employment contract is subject to progressive PIT taxation in Poland, as of the first day of his/her stay in Poland. PIT advances on income received from foreign employment contract should be paid on a monthly basis for the months, in which the discussed income was received. PIT advance for the given month shall be paid by the 20th day of the following month with the use of 18% PIT rate (32% rate may be also applied). Foreign individuals are obliged to calculate their final annual tax liability with the use of progressive PIT rates. Foreign individuals are also obliged to submit the annual PIT return until 30 April of the following year. Only income related to work performed in Poland is reported for Polish PIT purposes.

b) Polish tax non-residents

Generally, the same rules applicable to Polish tax non-residents as mentioned in point a) above should be also applied in case of foreigners being Polish tax residents. As a consequence, the foreign individuals are personally responsible for all PIT compliance activities required by Polish PIT law, i.e. neither foreign employer not host entity have any obligations in this respect. Please also note that the taxable income for Polish PIT purposes includes all income obtained in connection with work in Poland, including remuneration, bonuses of all kind

PRIVATE INCOME TAX (PIT) *CONTINUATION*

Board members

a) Polish tax non-residents

Income realised by foreign individuals, being Polish tax non-residents and appointed as the members of the management board of a Polish entity based on the relevant shareholders' resolution may be subject to 20% flat rate taxation in Poland. All PIT compliance obligations related to this scheme are performed by a Polish entity of which the individual is a board member.

b) Polish tax residents

If a foreign individual being a member of the board of a Polish entity would become Polish tax resident, income received from the membership in the management board based on the relevant shareholders' resolution would be subject to progressive PIT taxation in Poland. In such a case the Polish entity would be obliged to pay month PIT advances on the discussed income calculation according to the progressive PIT rate of 18% (upon taxpayer's choice 32% PIT rate can also applied) while the year-end final reconciliation is made according to progressive PIT rates up to 32%. Foreign individuals are also obliged to submit the annual PIT return until 30 April of the following year.

Revenue costs:
(for income from self-employment)

From an employment contract	Monthly	111.25 PLN
	Annually	1,335.00 PLN
From several employment contracts	Annual maximum	2,002.05 PLN
From an employment relationship for foreign employees	Monthly	139.06 PLN
	Annually	1,668.72 PLN
For more employment for foreign employees	Annual maximum	2,502.56 PLN

Income from self-employment

Income from self-employment:

- Income of persons belonging to, regardless of the manner of their appointment, directors, supervisory boards, commissions or other decision-making bodies of legal persons
- Revenue from services rendered in the conduct and management on the basis of the contract or contracts for work

Income from economic activity

In particular income from trade or business which include the income of self-employed among others:

- Manufacturing, construction economics, trading/providing services employment
- Work related to mining
- Employment in connection with the use of property or rights

This type of income also covers acquisition revenue from the sale of operating assets, unless it is property for residential purpose.

Option opportunity for income from economic activity:

Since 01/2004 those revenues can be taxed with a linear tax rate of 19% deviating from the regular taxation (on application of the taxpayer until the 20th January each year)

But: by chosing so, deductions from the taxable base and joint assessment with the spouse can not be drawn on.

VALUE ADDED TAX (VAT)

Legal basis	Act of 11 March, 2004 on the taxation of goods and services
Tax rates	• Standard Tax Rate 23% • Reduced Tax Rate 8%: (e.g. some foods, plants, associated with health goods, catering and hotel services, transportation services, public housing) • Reduced tax rate 5%: (Especially food, specialist books and journals) • Reduced tax rate 0%: (Export of goods, Intra-Community supplies of goods)
General	• Values Added Tax on goods and services is a broad-based tax levied on the supply of goods and services in Poland. • Polish regulations are based on EU directives.
Registration	A Polish entity is required to register for VAT once its annual turnover on transactions subject to VAT exceeds 150,000.00 PLN. Foreign entrepreneurs must register for VAT in Poland before they start any VAT-able activity in Poland (except for limited and expressly listed cases). Based on the Polish Fiscal Penal Code if an entity obliged to register for VAT purposes fails to fulfil this obligation, it will be liable to pecuniary penalty for fiscal offence in an amount determined individually in each case (multiples of the lowest monthly salary).
Compliance	**(a) Invoicing** Transactions between VAT taxpayers must be documented with invoices. The Polish VAT laws strictly regulates the elements that should be included in invoices. In general, an invoice should contain at least the following obligatory data: • name and surname or business name of the seller and its address • name and surname or business name of the purchaser and its address* • Polish tax identification numbers of the purchaser and the seller • sequential number of the invoice that identifies the invoice • date of issue • date of supply - if such date is determined and differs from the invoice issue date (in the case of continuous supplies the taxpayer can indicate the month and year of the supply) • name (kind) of goods or services • unit of measure and quantity of the goods sold or scope of the services rendered* • unit of price of the goods or services without VAT (Net unit price)* • value of the potential rebates, including these for the earlier payment, if they were not included in the net unit price

Compliance *(cont.)*

Please note that from the beginning of 2013 so called simplified invoices were introduced to the Polish VAT provisions. Such invoices may be applied in case the total amount due on the invoice does not exceed 450.00 PLN or 100.00 EUR (if the invoice is issued in EUR). Simplified invoices may not include elements of the invoice that are marked with '*' on page 26 provided that the invoice includes information enabling to determine the value of VAT in relation to particular VAT rates.

(b) EU VAT package

In January 2010 Polish VAT provisions were amended to accommodate the VAT package introduced into EU legislation. Generally, the Polish provisions reflect the VAT Directive in this respect and the services are subject to VAT in the country where the recipient of the services is established (with certain exceptions, especially concerning the services related to immovable property).

(c) Filing

Registered VAT taxpayers are required to submit monthly or quarterly returns to the competent tax office and keep registers of purchases and sales subject to VAT. Additionally, registered VAT EU taxpayers performing intra-community and acquisitions of goods into Poland and intra-community supplies of goods and services from Poland are also required to submit EC Listings returns on a monthly bases (or a quarterly basis - provided certain conditions are met).

(d) Payment/refunds

The tax due to the tax authorities is calculated as the output VAT minus the input VAT on purchase invoices.

As a rule, the surplus of output VAT over input VAT must be paid within 25 days following the month in which the VAT obligation arose (for small taxpayers, the VAT due must be paid within 25 days following the quarter in which the VAT obligation rose). If the input VAT exceeds the output VAT, a VAT refund is generally available.

(e) Penalties

In general, if the obligations binding upon Polish VAT taxpayers are not fulfilled, the tax authorities may impose the penalties provided for in the provisions of the Polish Fiscal Penal Code. Additionally, if any VAT liability arises, taxpayers are obliged to pay the outstanding VAT amount due along with the attendant penalty interest.

VALUE ADDED TAX (VAT) *CONTINUATION*

Application to non-residents	The entities without the status of Polish residents (i.e. seated outside Poland) performing transactions taxable in Poland according to the Polish VAT provisions (e.g. intra-community acquisitions of goods in the territory if Poland) are obliged to register for VAT purposes in Poland, as a consequence, fulfil the obligations imposed under Polish VAT law on registered VAT taxpayers. It should be noted however that the obligatory reverse-charge mechanism (settlement of tax by the purchaser) was introduced on 01 April, 2011 in respect of the supply of goods and services by foreign taxpayers that do not have their fixed establishment for VAT purposes. Please note that starting from 01 April, 2013 the reverse-charge mechanism is not applicable (with certain exceptions) to the supply of goods if the foreign taxpayer without fixed establishment in Poland being a supplier is registered for VAT purposes in Poland. In such a case a foreign supplied (not the purchaser) is obliged to charge VAT on these supplies in Poland.
Taxable supply	VAT is imposed on the supply of goods and the provision of services in Poland, the import into Poland, export of goods, intra-community acquisitions of goods and intra-community supply of goods unless the transaction is exempt.
Deliveries	The tax is remunerated delivery of goods, which includes, inter alia, also gratuitous transfer of part of the company goods, the right to deduct input tax on the acquisition of state
Gratuitous transfers	A gratuitous transfer of gifts of small value and samples are not subject to taxation, as long as it is made for associated with the business purposes. Handovers of publicity and information printing materials are now generally not excluded from taxation. a new definition of the sample has been introduced.
Place of supply of goods	• The goods from the supplier, purchaser or a third party dispatched or transported - place where the goods are located at the beginning of transportation or shipment to the purchaser • The goods are not dispatched or transported - the place where the goods are located at the time of delivery
Services	Principally these are all services that are not goods. Tax base is the amount by which the service has been paid.

If you have questions related to particular tax topics, please contact us at your earliest convenience.

VALUE ADDED TAX (VAT) *CONTINUATION*

Place of performance

Rule:

- Place of service in favour of a taxpayer (businessman) is the location of its registered office (or fixed place of management or permanent residence)
- Place of service in favour of a subject who is not an entrepreneur (consumer), is the country of the seat (or fixed place of management or fixed place of residence) of the power generator

Exeptions:

- Intermediation services in favour of final consumers - place of the primary activity with real estate related services - location of the property
- Transportation services:
  - » Transport of persons - the place of transport, taking into account the distances covered
  - » Transport of goods in favor of consumers - the place of transport, taking into account the distances covered
  - » Transport of goods in favour of consumers, the beginning and the end of the movement on the territory of two different member states take place - the place of commencement transport
- Support services to the transport services - place of activity execution

Place of performance

- Services in the field of arts, culture and nature of the sport, science, education, entertainment:
  - » In favour of contractors - Application is the basic rule (location of the seat of the contractor)
  - » Favor of consumers - the place of activity execution
  - » Admission to an event (business and consumer) - location of event
- Restaurants and catering services - place of activity execution
- Short term rental of means of transport - place where the means of transport is actually put at the disposal of the customer
- Electronic services:
  - » In favor of contractors - application is the basic rule (location of the seat of the contractor)
  - » In favour of final consumers
- Based / resident outside the EU or based / resident in the EU, where the services are provided from a third country by a resident service suppliers - location of the seat / domicile of the beneficiary
- Based / resident in the EU, where the services are provided from an EU Member State by a resident service suppliers - location of the seat (or fixed place of management or fixed place of residence) of the power generator
- Intangible services (e.g. sale of rights, advertising, legal, banking, financial and insurance services, supply of staff) in principle apply the basic rule exception applies only to consumers, have the office / residence in a third country - location of the seat / residence of the beneficiary
- Telecommunications, radio and television broadcasting services - exemptions, if the services are rendered for the benefit of end users vary by domicile / residence of both the provider and the service recipient
- Services in the tourism sector - location of the seat (or fixed place of management or fixed place of residence) of the power generator

VALUE ADDED TAX (VAT) *CONTINUATION*

Reverse Charge “Reversal of the tax liability“	Requires the performing entrepreneur is a foreigner (in Poland has neither a residence nor fixed place of management) and the receiver is Polish VAT payers. Invoices without VAT, reference on passage of tax liability, tax identification numbers of the entrepreneurs, both supplier and beneficiary. As of 01 January, 2013, the foreign trader is obliged to settle the tax: • if he provides real estate related services, and is registered for VAT purposes in Poland, in the case of other services, the control of the Polish beneficiaries must be settled • in the case of goods trade, the foreign supplier is obliged to settle the tax if he/she for VAT purposes in Poland
Clearing of the supplies, for which the buyer stays tax liable (reverse charge)	So far, the reverse charge procedure was in any case the acquisition of goods by foreign taxpayers who have in Poland neither seat nor fixed place of management, application. Since 01.04.2013 the reverse charge procedure does not apply if the foreign supplier is registered as a Polish VAT. In such a case the sales tax is charged according to the general rule.
Real estate	VAT is owed by the purchaser.
Rental	Subject to VAT in either case.
Sale	Subject to either the VAT or the tax on civil law transactions. The latter is payable if the VAT exemption or neither side VAT payer is.
Tax exemption	Distinction concerning 0% tax rate or exemption
0% Tax Rate	Inter alia • Intra-Community supplies of goods • Export of goods • specific costs directly linked to the export of commodities related services, • international transport services • Services in the scope of processing and refinement of goods
VAT exemption inter alia	• Delivery of used goods (without deduction) • Financial services (provision of loans, management of bank accounts, money exchange) with the exception of leasing, factoring or advice • Insurance and re-insurance services • certain medical services • certain education services • Services in the area of social welfare • Services in the area of social insurance • Certain services in the area of culture or sport

Input tax reduction

No deduction for the purchase of fuels for passenger cars of accommodation services as well as catering services.

VAT deductible amount to depend on what the vehicle is used for

The rules of VAT deductibility on motor vehicles with permission maximum weight not exceeding 3.5 tonnes will change from 01 April, 2014. The deductible amount will depend on what a taxpayer uses the vehicle for. If a car is used for mixed purposes, that is, for both business and private use, the right to deduct will be limited. But if a taxpayer uses a car exclusively for own business purposes, they will be entitled to deduct the full VAT amount.

Limited deductibility - not only VAT on purchase

If a motor vehicle with the permissible maximum weight not exceeding 3.5 tonnes is used for both business and private use, the taxpayer will be entitled to deduct 50% of VAT. This applies not only to VAT on purchase, ICA or import of vehicles (as it used to be), but also to VAT on repair, operation and purchase of component parts. The 50% limit is not capped by any amount. Consequently, the taxpayer will be entitled to deduct 50% of VAT regardless of the VAT amount shown in the invoice. The 50% limit will also apply to vehicles used under lease, rental or similar agreements.

Unlimited deductibility - recording obligations

The taxpayer will be entitled to deduct 100% of VAT provided that the vehicle is used exclusively for the taxpayer's business activity purposes. Furthermore, the following conditions must be met:

- The taxpayer must establish the rules of using the vehicle saying that they may be used exclusively for the taxpayer's business purposes
- A vehicle mileage logbook must be kept for the vehicles used exclusively for the taxpayer's business purposes.

The vehicle mileage logbook should include, without limitation: vehicle registration number, logbook's start and end date; odometer count and number of kilometres driven. It should be kept starting from the date when a vehicle is used exclusively for the taxpayer for the taxpayer's business activity.

If the taxpayer fails to file the above-mentioned information on time, his vehicle will be considered to be used exclusively for business purposes only after the day the information is filed.

VALUE ADDED TAX (VAT) *CONTINUATION*

Input tax reduction *(cont.)*	**Information filing deadlines** Taxpayers who are going to use cars exclusively for business purposes, for which a logbook will be kept, will be obliged to notify the head of competent tax office of the vehicles used exclusively for business purposes (VAT-26 form). The VAT-26 information should be filed within statutory deadlines. **Liability for breach of the information obligation** A taxpayer who fails to file the VAT-26 information on time or who provides false information, and deducts 100% of VAT at the same time, is subject to penal and fiscal liability (fine of up to 720 so-called daily rates, where such daily rates range from 56.00 PLN to as much as 22,400.00 PLN). **Fuel - no deduction until 30 June, 2015** VAT on purchase of fuel for, amongst other things, passenger cars, cannot be deducted until 30 June, 2015. This limitation does not apply to vehicles used exclusively for business activity purposes. **Car lease - contract made before 01 April, 2014** The 50% deduction limit does not apply to lease instalments, rent etc. for vehicles used under a lease, rental or similar agreements made before 01 April, 2014, on which the entire VAT amount invoiced is deductible as of 31 March, 2014. • Fundamental period - 60 days from the date of filing the tax return, shortening to 25 days possible (assuming all reported in the tax return accounts must be settled at the time of filing the tax return) • 180 days - if in a given billing period no taxable transactions were made
Foreign companies	Companies that do not have a seat or fixed place of management in Poland.
Registration of foreign companies	Principally there is no obligation to register.
Re-imbursement of input tax for foreign companies	Can be filed for: • Application in Polish language for entrepreneurs from the EU - in electronic form • Appropriate Revenue Office: II Warsaw-Srodmiescie • The application can cover a period of minimum 3 months and can not exceed 1 year • Handing over until the 30th of September of the following year • Issued by the tax office on the amount of the recognised tax is generally issued within 4 months from the application levy • Reimbursement will be made within 10 working days of the decision
Intra-Community transport	• Intra-Community acquisition • Intra-Community supply

Intra-Community supply (to registered entrepreneurs)

Provided that the following conditions are fulfilled, a tax rate of 0% in Poland will be applied:

- The supply was carried out towards an entrepreneur registered for VAT-purposes in another membership country of the European Union, and
- The goods have left Poland and the supplier has appropriate evidence, and
- The supplier has mentioned the correct tax identification number on the invoice

To end users

The taxation on supplies of goods to consumers (private individuals) in another membership country of the European Union takes place in Poland.

Exceptions:

- Means of transport, inter alia passenger cars, are always taxed in that country to which the consumer ships the new means of transport
- Mail order business (the goods will be dispatched on behalf of the supplier in favour of final consumers, provided that the value of the sold goods exceeds on the side of the supplier a certain price limit)

Reporting requirements

- Summing up reports are to be delivered in general on a monthly base
- To be captured:
  - » Intra-community deliveries of merchandise
  - » Intra-community purchases
  - » Deliveries under the so-called intra-Community supply triangle
  - » Services to foreign companies (from EU Member States), in which the tax liability to beneficiaries passes

Amendments to the VAT Act as from 1st January, 2014

Since the 1st January, 2014, a couple of very important changes to the Polish VAT Act have come into force, which can be considered as a revolution within tax law. Certain binding rules issued before 1st January, 2014, will no longer be valid. These changes will require taxpayers to modify their VAT settlement procedures in Poland. The most important changes are concerning:

- Article 19 of the VAT Act (tax liability);
- Articles 29-31 of the VAT Act (tax base);
- Article 86 of the VAT Act (time limits to deduct input VAT);
- Article 106 (invoicing requirements).

Further explanations of the VAT changes

When the tax changes become chargeable

These amendments have been the most profound in the last 20 years. The tax liability will no longer depend on the invoice date. Generally the tax liability will arise when goods are supplied or services are rendered. Most of the changes in force are concerning special tax liabilities that will be repealed and replaced by new arrangements.

VALUE ADDED TAX (VAT) *CONTINUATION*

Amendments to the VAT Act as from 1st January, 2014 (cont.)

New definitions of the tax base

The modifications of the rules is the direct implementation of the definition contained in the VAT directive. The new tax base includes all payments, which have a direct impact on the price of goods and services rendered by the taxpayer. The new VAT regulation explicitly mentioned what is included in the tax base, like additional costs (commissions, packing and transportation costs, as well as insurance costs). In case of free deliveries or services the values or comparable prices of the goods and services concerned will build the new text base. If there are no comparable prices the tax base includes all costs incurred at the tax point.

Time restrictions on the deduction of input tax

The right of deduction arises in the period in which the seller's tax liability, in relation to the goods or services supplied become chargeable, but should not be earlier than in the tax return for the period in which the buyer received the invoice or customs documentation. Therefore, it is very important from 1st January, 2014, that you are certain when the tax liability has arisen due to the documented through the relevant invoice.

The new regulations give you the right to deduct intra-Community acquisitions of goods from the receipt of the seller's invoice. If you do not receive the invoice within 3 months, the taxpayer will have to make a corresponding adjustment i.e. reduction of input tax claimed. The correction of the reduced deduction will be possible at the time the invoice was received.

Invoicing requirements

The most significant change in terms of invoicing, which entered into force on 1st January, 2014, is the possibility of invoicing no later than the 15th day following the month when the goods were supplied or services rendered. It is also possible to issue the invoice prior to the time of delivery or performance, but not earlier than 30 days before that date.

TAXES ON CIVIL AGREEMENTS (PCC)

Purchase of real estate:	2.0%
Memorandum of association:	0.5%
Loans:	2.0%
Proprietor/Shareholder-loans:	0.5%

TAX AUDIT AND LEGAL RECOURSE IN POLAND

Control measures	The formal correctness of the tax declaration stands in the focus of the control. A separate tax bill is not created.
Audit of the Tax Office	Determination of the tax liability on the merits and amount. The revenue office issues a protocol thereafter, which can serve as evidence in a tax proceeding.
Control method	It is determined whether the taxes were paid on time. If default interest accrues, the tax authority shall issue a tax assessment in the amount of tax due and default interest are fixed.
Tax audit performed by the finance control group	It is checked whether the taxpayer has declared his tax liabilities on the merits and the amount properly; If a tax liability determined, a separate tax bill enacted. Tax payers can draw on in Poland in fiscal matters on the following rights: • Appeal against a decision • Complaint to the Provincial Administrative Court • Nullification suit with the supreme administrative court • Legal action with the European court of justice

GENERAL TAX LAW

Ruling	Yes, relating to the fiscal circumstances of a tax payer possible
Consequences of delay by failure to meet the deadlines and dates	Delay penalties: currently 13% per annum (9.75% p.a. - of reduced sentence in the case of delivery of an effective correction of a tax return before the activity of the tax office) Penalties for late payment: only for VAT - up to 30% of the tax liability
Criminal Tax Law	Financial Criminal Law • Punishment for negligent tax evasion: Criminal Charges • Penalty for willful tax evasion: Financial or Imprisonment • In principal administrative proceedings

INTEREST

Fiscal	8% per annum (6% p.a. - of reduced sentence in the case of delivery of an effective correction of a tax return before the activity of the tax authority)
Legal	13% p.a.

TAX LIMITS IN 2015

In 2015, current income limits concerning inter alia status of small-business enterprises	Small-business enterprises (mały podatnik) for VAT and Personal Income Tax: 5,015,000.00 PLN Income limit that entitles lump-sum of taxation of recognised income: 626,880.00 PLN The amount of net income that requires to bring records of accounts by individuals, partnerships of individuals, partnerships of individuals, partnerships and social co-operatives - 5,010,600.00 PLN Maximum total amount of depreciation in a year, as part of one-off depreciation - 209,000.00 PLN

DOUBLE TAXATION AGREEMENT (DTA)

Double Taxation Agreement (DTA):

Poland concluded Double Taxation Agreements (DTA's) with 81 countries, which comply with the OECD Model convention.

Governance of the right for taxation looks differently in the case of share disposals in real estate companies. Following the OECD Model Convention, for those Double Taxation Agreements (DTA's) marked with "yes", the country of location of the real estate possesses the right for taxation vis-a-vis share deals, and not the country of residence/domicile of the seller.

Tax rates mentioned in the Double Taxation Agreements (DTA's) can be applied only then, when the tax payer possesses and provides a certificate of residence issued by the Inland Revenue office of the applicable country.

COUNTRY	ENTRY INTO FORCE	PROPERTY CLAUSE	DIVIDENDS IN%	INTERESTS IN%	LICENSES IN%
ALBANIA	27.06.94	no	5/10	10	5
ARMENIA	27.02.05	yes	10	5	10
AZERBAIYESN	20.01.05	yes	10	10	10
AUSTRALIA	04.03.92	yes	15	10	10
BELGIUM	29.04.04	yes	5/15	0/5	0/5
BULGARIA	10.05.95	no	10	0/10	5
CHINA	07.01.89	no	10	0/10	7/10
DENMARK	31.12.02	yes	0/5/15	0/5	5
GERMANY	19.12.04	yes	5/15	0/5	5
ESTONIA	09.12.94	no	5/15	0/10	10
FINLAND	30.03.79	no	0/5/15	0	0/10
FRANCE	12.09.76	yes	5/15	0	0/10
GREECE	28.09.91	no	19	10	10
GREAT BRITAIN	27.12.06	yes	0/10	0/5	5
INDIA	26.10.89	yes	15	0/15	20
INDONESIA	25.08.93	no	10/15	0/10	15
IRELAND	22.12.95	yes	0/15	0/10	0/10
ICELAND	protocol - 08.12.12	yes	5/15	0/10	10
ISRAEL	30.12.91	yes	5/10	5	5/10
ITALY	26.09.89	no	10	0/10	10
YESPAN	23.12.82	no	10	0/10	0/10
CANADA	08.12.12	yes	0/5/15	10	5/10
KAZAKHSTAN	13.05.95	yes	10/15	0/10	10
KOREA	21.02.92	no	5/10	0/10	10
CROATIA	11.02.96	yes	5/15	0/10	10
KUWAIT	25.04.00	no	0/5	0/5	15
LATVIA	30.11.94	yes	5/15	0/10	10
LITHUANIA	19.07.94	yes	5/15	0/10	10
LUXEMBOURG	protocol - 11.12.12	yes	0/15	0/5	5

(*) Exemption from withholding tax pursuant to the directive on rulers and controlled companies (Parent-Subsidiary-Directive)

CONTINUATION

COUNTRY	ENTRY INTO FORCE	PROPERTY CLAUSE	DIVIDENDS IN%	INTERESTS IN%	LICENSES IN%
MALAYSIA	05.12.78	no	0	0/15	0/15
MALTA	24.11.94	yes	5/15	0/10	10
THE NETHERLANDS	18.03.03	no	5/15	0/5	5
NORWAY	29.01.13	yes	0/15	5	5
AUSTRIA	01.04.05	yes	5/15	0/5	5
THE PHILIPPINES	07.04.97	yes	10/15	0/10	15
PORTUGAL	04.02.98	no	10/15	0/10	10
RUMANIA	15.09.95	no	5/15	0/10	10
RUSSIA	22.02.93	no	10	0/10	10
SAUDI ARABIA	01.06.12	yes	5	0/5	10
SWEDEN	15.10.05	yes	5/15	0	5
SWITZERLAND	25.09.92	no	5/15	10	0/10
SINGAPORE	Probably in 2013	yes	0/5/10	0/5	2/5
SLOVAKIA	21.12.95	no	5/10	0/10	5
SLOVENIA	10.03.98	no	5/15	0/10	10
SPAIN	06.05.82	yes	5/15	0	0/10
SOUTH AFRICA	05.12.95	no	5/15	0/10	10
THAILAND	13.05.83	no	20	0/10	5/15
CZECH REPUBLIC	13.06.12	no	5	0/5	10
TUNISIA	15.11.93	no	5/10	12	12
TURKEY	01.10.96	no	10/15	0/10	10
UKRAINE	11.03.94	yes	5/15	0/10	10
HUNGARY	10.09.95	no	10	0/10	10
USA	23.07.96	yes	5/15	0	10
UNITED ARAB EMIRATES	21.04.94	no	0/5	0/5	5
BELARUS	30.07.93	no	10/15	0/10	0
CYPRUS	Protocol -09.11.12	no	0/5	0/5	5

(*) Exemption from withholding tax pursuant to the Directive on rulers and controlled companies (Parent-Subsidiary-Directive)

SOCIAL SECURITY CONTRIBUTIONS

Ruling

Polish employers have to pay social security costs and compulsory insurances to the social insurance office (Zaklad Ubezpieczen Spolecznych) and to the National Health Fund. The employer is responsible for withholding and remitting the full amount of social security contributions (employee's share and employer's share) to the relevant authorities. The rates of social security contributions for 2014 are:

Fund	Employer	Employee
Pension/retirement fund	9.76%	9.76%
Disability insurance	6.5%	1.5%
Sickness benefits	Not applicable	2.45%
Accident insurance	Between 0.67% and 3.33%	Not applicable
Health insurance	Not applicable	9.00%

The employer and employee pay contributions to the pension and disability funds. The 9.76% employee contribution is transferred to the Open Pension Fund.

Contributions by employees are based on their gross income tax purposes. The ceiling on income on which contributions for the pension and disability insurance are due is 112,380.00 PLN in 2014. There is no ceiling for health insurance.

In addition, 9% of gross pay (less contributions for pension and disability insurance) for obligatory health insurance contributions (covering medical expenses) is payable by employee.

The 2.45% sickness benefit is paid into Labour Fund.

Social security in Poland

The social security system in Poland is of a general and compulsory character. Social security – in respect of selected risks - covers persons who are, inter alia, employees, persons who work on the basis of contracts of mandate or who carry out business activity.

NOTE:

Social security in Poland covers the EU citizens on the same basis as Polish citizens.

SOCIAL SECURITY CONTRIBUTIONS *CONTINUATION*

Pension insurance

Pension insurance is an insurance provided in the event of inability to work because of old age. Persons who pay premiums, ensure their income at the moment of stopping professional work, after achieving pensionable age.

The reform of the pension system entered into force on 01 January, 1999. It introduced a three-pillar system:

- Pillar I is governed by the public institution - Social Insurance Company
- Pillar II is governed by private institutions - open pension funds (OFE) - An open pension fund is a legal person whose aim is to collect funds from insurance premiums and invest them on the financial market. Those funds are designated for pensions for the open pension fund's members when they reach pensionable age
- Pillar III, voluntary, which is to ensure extra benefits for additional premiums, is occupational pension schemes (PPE) and individual retirement accounts (IKE)

From 01 May, 2011 until 31 December, 2016 the Social Insurance Company forwards part of the pension insurance premium to the open pension fund selected by the insured person, in the amount of:

- 2.3% of the basis of the assessment of the amount of the pension insurance premium due for the period from the date of entry into force of the Act until 31 December, 2012
- 2.8% of the basis of the assessment of the amount of the pension insurance premium due for the period from 01 January, 2013 until 31 December, 2013
- 3.1% of the basis of the assessment of the amount of the pension insurance premium due for the period from 01 January, 2014 until 31 December, 2014
- 3.3% of the basis of the amount assessment of the of the pension insurance premium due for the period from 01 January, 2015 until 31 December, 2016

The account of the insured person at the Social Insurance Company includes a sub-account where information is recorded on the valorised amount of paid premiums to Pillar II from the part of the premium not forwarded currently to open pension funds, together with the recovered interest on arrears for those premiums. The division of the premium between the pension fund which is at the Social Insurance Company's disposal and an open pension fund is obligatory for insured persons born after 31 December, 1968. Insured persons born after 31 December, 1948 and before 01 January, 1969 could join a selected open pension fund until 31 December, 1999. Persons born before 01 January, 1949 could not and still cannot join an open pension fund, their whole premium is forwarded to the Social Insurance Fund.

Pension insurance
(cont.)

The pension premium is financed equally by the employer and the insured person, but the whole premium paid to the open pension fund is from the part paid by the insured person. The employer is responsible for paying premiums to the Social Insurance Company.

The pension system is based on the tight connection between the amount of the benefit and the amount of the actually paid premium. The basis for calculating the pension is the (total) amount of premiums for pension insurance.

Pension is granted to women who are at least 60, and men who are at least 65. There is no minimum insurance period required for granting the pension.

Decisions about granting pensions are made by the Social Insurance Company‘s bodies which are of proper jurisdiction due to the place of living of the person who is applying for the benefit. The proceedings for granting pensions start after submitting the application by an applicant.

SOCIAL SECURITY CONTRIBUTIONS *CONTINUATION*

Disability insurance

Disability insurance guarantees cash benefits in case of losing income connected with the risk of disability (inability to work) or death of a breadwinner in a family. In such a situation persons who pay disability insurance premiums are granted disability pension for incapacity for work, which is a substitution for remuneration or income, and in the case of death of an insured breadwinner in a family, the members of their family are granted family pension.

The premium for disability insurance is 8% of the basis of the assessment of the amount of premium, where 6.5% is from the funds of the employer, and 1.5% from the funds of the employee.

1. Disability pension for incapacity for work

Disability pension for incapacity for work can be granted to an insured person who fulfils all of the following conditions:

- Is considered a person who is partially or entirely unable to work
- Has proven contributory and non-contributory periods
- Inability to work started in the periods strictly set out in the Act

A person who is entirely unable to work is a person who has lost the ability to perform any job.

A person who is partially unable to work is a person who to a considerable degree lost their ability to perform a job which is consistent with the level of that person‘s qualifications.

Inability to work and its level is certified by a board certified occupational medicine physician from the Social Insurance Company as the first certifying instance. An applicant has the right to raise an objection to the physician‘s opinion to the Social Insurance Company Medical Board - as the second certifying instance.

2. Family pension

Family pension is granted to entitled family members (children, widow, widower, parents) of a person who at the moment of death took pension or disability pension for incapacity for work, and a working person who had the required periods for granting pension or disability pension for incapacity for work. When analysing the right to the family pension, it is assumed that a deceased person was entirely unable to work.

Disability insurance
(cont.)

3. Training allowance

Training allowance is granted to a person who fulfils the conditions for granting disability pension for incapacity for work, and with reference to whom retraining was stated as appropriate due to the inability to work in the current profession. It is granted for the period of 6 months. That period can be shortened or lengthened up to 30 months. The amount of training allowance is 75% of the basis of an assessment, and when the inability to work is the result of an accident at work or occupational disease - 100% of the basis of its assessment.

SOCIAL SECURITY CONTRIBUTIONS *CONTINUATION*

Social security for industrial accidents and occupational diseases

Security for industrial accidents and occupational diseases covers, inter alia, employees, persons who work on the basis of contracts of mandate, and persons carrying out business activity.

Benefits for industrial accidents and occupational diseases can be granted to a person who is insured for such cases. These are:

- **Sickness benefit** - for an insured person whose inability to work has been caused by an industrial accident or occupational disease
- **Rehabilitation benefit** - is paid after the sickness benefit has finished, if the insured person is still unable to work, and further treatment or rehabilitation give them a chance to regain ability to work
- **Compensating benefit** - is for an insured person who is an employee, whose remuneration was lowered due to permanent or long-term damage to their health
- **One-time compensation** - for an insured person whose health was damaged permanently or for a long period of time, or for the members of the family of a deceased insured person or a person who collected disability pension
- **Disability pension for an industrial accident or occupational disease** - for an insured person who has become unable to work due to an industrial accident or an occupational disease
- **Training allowance** - is granted to a person with reference to whom retraining was stated as appropriate due to the inability to work in a current profession because of an industrial accident or occupational disease
- **Family pension**- for the family members of a deceased insured person or a person entitled to disability pension for an industrial accident or occupational disease and allowance to family pension - for an orphan
- **Attendance allowance** - for a person who is entitled to pension, considered entirely unable to work and existence on their own, or who is over 75
- **Covering the costs of treatment** - in the field of dentistry and preventive vaccination and supply of orthopaedic equipment, within the scope stipulated by the Act

The amount of the accident security premium varies from 0.67% to 83.86% of the basis of premium assessment. The accident security premium is entirely covered by the employer.

Social security for sickness and maternity

Persons who are obligatorily insured for sickness and maternity are mainly employees. Persons covered by obligatory pension and disability pensions insurance, who, inter alia: work on the basis of an agency agreement or contract of mandate, carry out non-agricultural activity (business activity, authors, artists, freelancers) can also be insured, voluntarily, for sickness and maternity.

The amount of premium for insurance for sickness and maternity is 2.45% of the basis of the premium assessment. The premium is covered from the insured person's funds.

The following benefits are paid due to insurance in case of sickness and maternity:

Sickness benefit

The sickness benefit is granted to an insured person who became ill during the period of sickness security. Generally, the right to the sickness benefit is granted after the so-called waiting period. a person who is obligatorily covered by sickness security, gains the right to the sickness benefit after the period of 30 days of continuous sickness security. a person who is covered by this security voluntarily, gains it after the period of 90 days of continuous sickness security.

The sickness benefit is granted to an insured person in the amount of 80% of the basis of assessment, and for the period of being hospitalised - in the amount of 70% of the basis of assessment.

If the inability to work which was caused due to an accident on the way to or from work started during pregnancy or concerns tissue, cell or organ donors, then the sickness benefit is paid in the amount of 100% of the basis of assessment.

Rehabilitation benefit

The rehabilitation benefit is granted to an insured person who can no longer be given the sickness benefit but still is unable to work, and further treatment or rehabilitation give them a chance to be able to work again. The benefit is granted for the period necessary to give them a chance to regain ability to work but not longer than for the period of 12 months.

Compensating benefit

The compensating benefit is granted only to insured persons who are employees. That benefit is granted to employees whose remuneration was lowered due to undergoing professional rehabilitation or who was moved to another post due to the state of health.

SOCIAL SECURITY CONTRIBUTIONS *CONTINUATION*

Social security for sickness and maternity *(cont.)*

Maternity allowance

Maternity allowance is granted to an insured woman who at the time of sickness security or at the time of a child care leave:

- gives birth to a child
- takes a child up to 7 years of age for upbringing, and in the case of a child with regard to whom there was a decision about an adjournment of compulsory education - up to 10 years of age, and who started legal proceedings for adoption in the Guardianship Court
- takes for upbringing, as surrogate parents, except for professional surrogate parents not related to the child, a child up to 7 years of age, and in the case of a child with regard to whom there was a decision about an adjournment of compulsory education - up to 10 years of age

Provisions concerning the right to maternity allowance in the case of taking a child for upbringing are also to be followed in the case of an insured man.

Maternity allowance is paid during the period of maternity leave - for 20 weeks in the case of giving birth to one child (possibly longer, in the case of giving birth to more than one child at a time – from 31 weeks to maximum 37 weeks) and throughout the period of the additional maternity leave.

Maternity allowance can be also granted to an insured father of a child for the period of 2 weeks as the period of maternity leave which can be granted to an employee-father raising a child.

The amount of maternity allowance is 100% of the basis of the allowance assessment. The basis of the allowance assessment is an average monthly remuneration paid for the period of 12 months before the month in which the right to the allowance is created.

Premiums for pension and disability pension insurance are calculated from maternity allowance (Those premiums are financed from the State budget).

Social security for sickness and maternity *(cont.)*

Attendance allowance

Attendance allowance is granted for the period of a special leave, when it is necessary to take care of a healthy child who is under 8, a sick child who is under 14 or other sick member of the family.

Attendance allowance is granted for not more than 60 days in a calendar year if a person takes care of a healthy child who is under 8 or a sick child who is under 14. If a person takes care of a sick child who is over 14 or other sick member of a family, the allowance is granted for not more than 14 days. The allowance is paid in the amount of 80% of the basis of allowance assessment.

Additionally, in the case stipulated in Article 180(61) of the Labour Code, the insured father of a child is entitled (irrespective of the attendance allowance for 60 days per calendar year) to an attendance allowance in the amount of up to 8 weeks if he interrupts employment or other gainful activity in order to take care of the child.

MOST IMPORTANT TAX CHANGES AS OF 2015

Changes in tax law in 2015

New special procedure for the VAT rules on telecommunications, radio and television, as well as on electronic services

Effective from 1st January, 2015 there is a new VAT procedure for telecommunications, radio and television, as well as electronic services supplied to non-taxable persons. This will include all services to private consumers supplied by entities/persons which are established in the EU and which are not located in the country of consumption (EU), according to Article 130a-130d of VAT Act. All previous provisions defining the place of performance of these services (Article 28m of VAT Act) are lifted with effect from 1st January, 2015.

According to these amendments the place of performance will always be the legal domicile, the place of residence or habitual residence of the non-taxable consumer (Article 28k of VAT Act) of telecommunications, radio and television, as well as electronic services. This shall apply regardless of supplier's status and the location of his business activities.

Changes will also be made in relation to foreign entities (entities not resident or have a permanent place of business within the territory of the EU).

The consequences of settlement of liabilities by type of transferring (Corporate Income Tax {CIT}, VAT & Private Income Tax {PIT})

From 1st January, 2015, the settlement of liabilities through non-cash contributions will generate taxable income by the debtor. The taxable income is defined as the amount of debts, which shall be settled through non-cash contributions. If the market value of the non-cash contribution exceeds the nominal amount of the debt, this may be applied with the restriction that in these cases the market value of the non-cash contribution is taxable.

If payables are settled through non-cash contributions, the amount of the claim is tax deductible, but reduced by:

- the VAT payable for the non-cash contribution, as well as
- the sum of the depreciation carried out

A provision will be added, according to which the value of the received non-cash contribution is the same amount as the repaid loan (credit), will not be considered as taxable income.

Another regulation added, which states that the purchase value of properties, as well as the intangible and tangible assets, which have been received as non-cash contributions for the settlement of payables, are defined by the value of the settled debt.

Changes in tax law in 2015 *(cont.)*

Acquisition value of fixed assets for a European company, within a European co-operative, as well as a foreign permanent company established in the territory of the Republic of Poland

From 1st January, 2015, new legislation will be added, which will govern the determination of the purchase value of property, plant and equipment, as well as intangible and tangible assets will be defined in the following cases:

- foreign business operations of limited taxable persons (non-residents) within the territory of the Republic of Poland
- legal residence, or the board of management of a European company, or co-operative moved to Poland

In such cases, the purchase value of property, plant and equipment, as well as intangible and tangible assets will be defined in the amount determined, in which it was recognised under tax law and that is evident from the bookkeeping records of the taxpayer. This is the case regardless of the nature of costs. The purchase value shall not exceed the market value of the assets.

Income taxes of Controlled Foreign Companies (CFC)

The Corporate Income Tax (CIT) and Personal Income Tax (PIT) regulations will be introduced providing provisions to the rule on taxation of CFC's.

Basically, a CFC is a company, that meets all the following criteria:

- Level of control - the Polish taxpayer owns for an uninterrupted period of 30 days per year, not less than 25% of share capital, voting rights or share in profits of a foreign company
- Nature of the received income - at least 50% of that company's 'passive income' is, i.e. financial income like dividends, shares, receivable account, and copyrights, and so on
- The location of the company in a country with a low level of taxation (i.e. tax haven), at least one type of 'passive income' of the foreign company will be taxed at a rate equivalent to at least 25% less than the Polish rate for CIT/PIT, or if the income is exempted from taxes)

In some cases, a CFC is exempt from taxation (this is due to statutory requirements, among other things, it can depend on the country of residence of the foreign company, the nature of their business and the amount of income received).

The taxable amount of a CFC shall be the income according to CIT-/PIT-Law, but only for income attributable to the Polish taxpayers and the corresponding period of ownership share in the company profits.

MOST IMPORTANT TAX CHANGES AS OF 2015 *CONTINUATION*

Changes in tax law in 2015 *(cont.)*

Income taxes of Controlled Foreign Companies (CFC) (cont.)

The Polish taxpayer will have the opportunity to deduct the dividend received from the CFC and the amount realised from the sale of share in the CFC from the income mentioned above.

The taxpayers will be required to:

- Registration of the CFC
- Independent management of the accounting, event recording, which will have influence on the income of the CFC, as well as
- Notification of the profit of the CFC

The registration and the recording will not be necessary, if the CFC's entire income is subject to taxation in a country within the EU or the EEA and also exerts its actual business in this country.

The taxation of transformed companies with profits that have been transferred to other types of capital than share capital

In the case of converting a company, that is an income taxpayer, into a company that is not such a taxpayer, the taxable income from shared profits and non-distributed profits will be increased by profits that are transferred into other types of capital stock.

Amendments to the rules on thin capitalisation (including the replacement of the coefficient level of debt to capital a ratio of 3:1 by a factor of 1:1)

From the 1st January, 2015, there are important changes to the legislation of the Corporation Tax Act relating to the so-called under-capitalisation. According to the new legislation:

- the restrictions on tax deductible costs will also affect the lending rates of economic entities
- the debt amount affiliated against a contractor in terms of the net equity of the debtor (and no longer, as before, three times the share capital of the debtor)
- the manner of calculation of the interest portion, that does not belong to the tax deductible costs, will be clarified
- it will be determined that the term 'debt' as defined in the legislation, will not only be limited to the debts of the borrower's loan agreements
- it introduces an alternative method for calculating the under-capitalisation. This method will allow interest tax deductible costs to be added, within certain limits, without evaluating who is the lender. The application of this method for under-capitalisation will be approved after a written notification has been submitted to the relevant tax office

Changes in tax law in 2015 *(cont.)*

Clarification of the directory for affiliated business entities

The rules governing personal income tax of the directory is specific relating to business entities and through highlighting of organisational entities requirements to be examined whether they are affiliated with other business units.

So-called equity loans

From 1st January, 2015, Article 20, Paragraph 16 of the Corporate Income Tax law (CIT) introduced that it will exclude tax exemptions for dividends or other income from profit shares of legal persons, payable between associated enterprises. However, this only applies to dividends, which are in another country, or other income-paying company, which may thus be deducted from the taxable income or tax base by the paying company.

Specified procedure to be applied for the withdrawal of shareholders of a company which are not income taxpayers

With effect from 1st January, 2015, non-taxable income as part of the credit balance which exists after withdrawal of shareholders the company, that are no personal income taxpayers, must not be recognised for tax deductible purposes.

MOST IMPORTANT TAX CHANGES AS OF 2015 *CONTINUATION*

Changes in tax law in 2015 *(cont.)*

Determining the consequences of claims received by shareholders after their withdrawal from companies, which are non-personal income taxpayers or after the liquidation of such companies

From 1st January, 2015, the amendment of Article 12, Paragraph 4, Ref. 3b of the Corporate Income Tax law (CIT) defines exactly, that claims which are received by shareholders after their withdrawal from a company, which do not pay Personal Income Tax (PIT), or which arose in connection with the liquidation of such a company, will not be treated as taxable income. However, it will become taxable in the case of payment.

Determining the time at which taxable income results from the exercise of rights in connection with derivative financial instruments

From 1st January, 2015, the Personal Income Tax (PIT) regulations will be complemented by provisions, saying that the time at which taxable income results from the exercise of rights with derivative financial instruments, is defined as the point of time at which these rights have been exercised.

Extending the obligation to withhold a flat-rate of Personal Income Tax (PIT) by business entities managing security accounts or consolidated accounts

From 1st January, 2015, business entities managing security accounts or consolidated accounts are obliged to withhold a flat-rate of income tax, if they are arranging the payment. The deduction will be made at the date of payment in favour of the holder of the security account or the consolidated account.

Determination of tax expenses recognised upon redemption of units or shares, which have been obtained by an exchange

From 1st January, 2015, changed provisions to the Personal Income Tax law (PIT) will clarify, that costs or expenditures related to the redemption of shares, to the acquiring company in connection with the conversion of shares, are tax deductible costs.

Specifying regulations on the taxation of income from the sale of assets used for the purposes of business

From 1st January, 2015, income from the sale of assets - tangible or intangible - are taxable as income from commercial operations, according to Personal Income Tax regulation (PIT).

Changes in tax law in 2015 *(cont.)*

Taxation of so-called 'cashbacks' received from banks, co-operatives or other financial institutions will receive a flat-rate of an income tax rate of 19%

From 1st January, 2015, Article 30, Paragraph 1, Ref. 4b will be added to the Personal Income Tax act (PIT), regulating that cashbacks received from banks, co-operatives or other financial institutions are taxable with a flat-rate of 19%. This tax will be withdrawn by banks, co-operatives and other financial institutions who are obliged to pay cashbacks.

Specifications when interest is received for credit balances on payment transaction accounts from business activities

From the new wording of Article 14, Paragraph 2, Ref. 5 of the Personal Income Tax act (PIT), that will become operational from 1st January, 2015, will clarify that this regulation shall not apply to interests from fixed-term deposits and other credit balances (savings etc.), existing on payment transaction accounts used for commercial operations. The new wording of the provision therefore corresponds to the current interpretation by the tax authorities and administrative courts.

Exceptions to the principle that a Saturday or a statutory holiday extends legislative deadlines

From 1st January, 2015, Article 12, Paragraph 5 of the tax act (Ordynacja podatkowa) will have a new wording. If the last day of a statutory deadline is a Saturday or a public holiday, the last day of the prescribed period shall be the day following the holiday(s), unless tax provisions are specifying something else. With effect from 1st January, 2015, the following provisions can eliminate this rule of Article 12, Paragraph 5 tax code:

- Article 130c, Paragraph 3 of the VAT Act (special procedures of VAT return)
- Article 133, Paragraph 2a of the VAT Act (foreign business entities with a special procedure of VAT return)

MOST IMPORTANT TAX CHANGES AS OF 2015 *CONTINUATION*

Changes in tax law in 2015 *(cont.)*

New regulations regarding the validity of Certificates of Residence (CoR)

From the beginning of the year 2015, the Polish tax authorities will change the principles concerning the acknowledgement of the Certificates of Residence (CoR), which means confirming the place of the seat or the residence of foreign business partners for tax purposes.

The presentation of a valid CoR will allow entrepreneurs to apply the provisions concerning the avoidance of double taxation in the case of payments for foreign business partners (e.g. dividends or royalties). The absence of a valid CoR, at the moment in which the payments are executed, this will allow the Polish entrepreneur to be charged and pay the withheld tax according to the rates settled in Polish income tax acts, without any tax credits or exemptions from withholding the tax.

According to the current practices, the CoR without an expiration date remains valid, until there is a change of status or tax residence of the business partner. Generally, it was sufficient to renew the CoR every few years or immediately after the tax status of the payment's receiver has been changed.

This new introduced amendment will have the impact on the CoR without an expiry date, which shall become invalid automatically 12 months after the issue date. These certificates after the expiration date will become invalid from the date indicated on the document.

For precautionary reasons getsix® would like to recommend, that if required, you obtain a new CoR for the purpose of confirming the tax residence of foreign business partners. Even from the beginning of January 2015 there are certain doubts that might arise on the validity of certificates issued in 2014 and in the previous years, due to this Polish entrepreneurs may be sent a charge for the withholding of tax inline with the higher rates.

For further information or notices regarding the requirements on CoR and the topic of the withholding tax, please don't hesitate to contact getsix®. We will happily help with any queries or questions.

Changes in tax law in 2015 *(cont.)*

Private use of company cars from January 2015

From the start of 2015 the private use of a company car up to and including an engine size of 1,600cc (cylinder capacity) will be taxed on the basis of a assumed cash benefit of 250.00 PLN. The tax rate will be 18%, so an employee must pay 45.00 PLN taxes (PIT) each month.

When a company car with a cylinder capacity exceeding 1,600cc, the value of the private use will be 400.00 PLN, so the taxation amount will be 72.00 PLN.

If the employee only uses the company car only part of the month for private purposes, then the value of compensation for each day of the private use needs to be calculated. Therefore, the amount of tax calculated by the employee can in fact be lower than the amount established by law. In such a case, the internal rules of the company are crucial in calculating the amount of fringe benefits for the private use of company cars.

Moreover, the value of the employee benefit, in the form of the collective transportation to work, organised by the employer for his employees will be exempt from tax, starting from the start of 2015. As a pre-condition, the vehicle used for this purpose must be designed to carry more than 9 people including the driver.

getsix® PARTNERS

getsix® Partners would like to consider this tax brochure has been and will be of benefit to you throughout the year. We have tried to encompass all that you might want to know, and also what we feel is important, in one handy sized booklet. Of course we cannot include all tax and legal laws, but hope we have helped to bring the 'main' laws together for quick and easy reference.

getsix® Partners have the philosophy that our employees are not only the wealth of the business, but also make getsix® different and stronger. We focus on self-reliance of our staff, without having to impose their duties. This allows for the free operation of personal responsibilities and has a positive effect on efficiency of duties.

It is important to us that we always provide 'added-value' for our clients and potential clients, in this ever changing world, customer service and support is very close to our getsix® principles.

Our mission is to provide our clients with a full range of Account, Tax & Financial Services, complimented with our IT Solutions. This will allow us to deliver to you the highest level of quality, service and technical expertise. getsix® Partners understands that its success, is a direct result of your success. Our team will be committed to servicing your business beyond your expectations.

getsix®

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The authors have prepared this publication at hand with the utmost care. Nevertheless small inaccuracies can never be avoided in such a comprehensive work. The editors-in-chief therefore do exclude all liability for any consequences, which might result from an application of this whole documentation in real life and practice.
For binding information you are requested to take up direct contact with the editors-in-chief.

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