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(with amendments from 01 January 2017)



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Item Code: E0006 (Mar. 17)
ISBN: 978-83-947292-1-9



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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.

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- an established quality network
- local knowledge, with global expertise
- partner-led personal service guarantees client loyalty
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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 company 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
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 TAXES

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
- Tax on certain financial institutions (so-called bank tax)
- Hydrocarbon tax

Indirect taxes:

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

Local taxes:

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

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:

In contrast to other European countries where a general assessment is used by the tax authorities, Poland uses the principle of reverse charge by taxpayers.

The taxpayer must calculate the tax themselves 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 licensor 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

BUSINESS REGULATIONS

Limited liability company (Sp. z o.o.)

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 beschränkter 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.

BUSINESS REGULATIONS *CONTINUATION*

Joint-stock company (pol. S.A.)

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.

Detail requirements for a limited liability company (pol. Sp. z o.o.) and a joint-stock company (pol. S.A.)

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.

Detail requirements for a limited liability company (Sp. z o.o.) and a joint-stock company (S.A.)

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

BUSINESS REGULATIONS *CONTINUATION*

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.

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 with all amendments

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)

Since **2017**, there have been two corporate tax rates:

- **19%** - corporate income tax rate for unlimited and limited taxable corporations, however, no minimum corporate income tax,
- **15%** - corporate income tax rates for:
 - » so-called 'small taxpayers'. These are all taxpayers whose income in the previous tax year does not exceed **1.200.000,00 EUR**, including value added tax,
 - » taxable people starting a business (in the tax year of commencement of the business) - there are limitations in using the **15%** rate for some corporations which were transformed.

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



CORPORATE INCOME TAX (CIT) CONTINUATION

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

The amendment of the Corporate Income Tax (CIT) Act provides for an income list for the income of non-residents as of **01 January, 2017**, which is considered to be taxed in Poland and thus taxable in Poland.

In addition to income from business activities in the territory of Poland and real estate located in Poland, claims are also included on the income obtained in Poland, which is paid by corporations with their registered office or address in Poland, irrespective of the place of conclusion of the contract and the provision of services. The income generated in Poland also includes income from securities and the derivatives authorised for exchange listing in Poland, as well as through the direct or indirect transfer of company shares and investment fund units in which at least **50%** of the assets comprise real estate or rights to real estate which are attributable to the territory of Poland. Dividends, interest and other claims subject to withholding tax and paid by a Polish corporation are considered to be in Poland.

The catalogue is open and does not exclude the possibility that other categories of revenue can be considered as income generated in Poland. Also, worthy of note are the double tax treaties recognised by Poland, which in practice could, however, ensure that certain revenues are not taxed in Poland.

Company limited by shares of Corporate Income Tax (CIT) taxpayers

Since **01 January, 2014**, a Polish company limited by shares is obliged to pay CIT. 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 September, 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 of the 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.)

Taxation of non-monetary contributions

Since 2017, proceeds from non-monetary contributions (other than companies or parts of companies) is the value described in the statutes, the articles of incorporation, or a subject of contribution determined by another document, and not the nominal value of the shares as a settlement of contributions, as it was previously the case.

If the value of the contribution differs from its market value, the proceeds are determined in the amount of the market value of the contribution.

This amendment removes the controversies regarding the taxation of assets in kind. At the same time, however, it can make intra-group restructuring more difficult.

Transfer prices

- External or internal price comparison
- Resale price method

Profit distribution methods / net margin method (if the above are not applicable)

Since **January 2017**, the creation of tax documents has only been mandatory for those taxpayers whose income or costs, in the sense of the accounting regulations, exceeded the equivalent value of **2 million EUR** in the year before the current tax year. After exceeding this value, the taxpayer is obliged to draw up a summary of tax documents on all transactions and other events with affiliated companies, which have a material influence on the amount of revenue or losses.

In accordance with the provisions, such transactions and other events are considered to be material to the amount of revenue (losses), the total value of which exceeds **50,000.00 EUR** in the tax year.

However, for taxable persons whose revenue exceeds **2 million EUR**, which is also less than **20 million EUR**, this total value has been fixed at **50,000.00 EUR**. This will increase by **5,000.00 EUR** for each additional **1 million EUR** in revenue.

If the revenue exceeds **20 million EUR**, but does not exceed **100 million EUR**, the limit is **140,000.00 EUR**. This increases by **45,000.00 EUR** for each additional **10 million EUR** in revenue.

The taxpayers, whose revenues exceed **100 million EUR**, will only require to document transactions which exceed the equivalent of **500,000.00 EUR**.

CORPORATE INCOME TAX (CIT) CONTINUATION

Transfer prices <i>cont.</i>	Taxpayers with income or costs exceeding the equivalent value of 10 million EUR in the previous tax year, are obliged to draw up a comparative analysis. The aim of this analysis is to carry out a comparison of transaction terms that would be accepted by independent legal entities. The analysis should be based on data, if available, from comparable Polish legal subjects. Another, new obligation is the need to submit information about the company group (the so-called master file). This change is obligatory for taxpayers who had revenues or costs of over 20 million EUR in the previous tax year. Legal entities whose revenues or costs exceed the value of 10 million EUR , also have the obligation to submit a simplified report on the transactions with affiliated companies - the 'CIT-TP' form.
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.
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 acquisition value up to 3,500.00 PLN (net) Depreciation rates: <ul style="list-style-type: none"> • Real Estate: 2.5% • Buildings: 4.5% • Machinery and equipment: 7% - 25% • Cars and Trucks: 20% • Computer: 30% <p>If technically verifiable or in case of used assets, other rates are permitted.</p>
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 of cars with a purchase value of more than **20,000.00 EUR** net (applies to the amount exceeding **20,000.00 EUR**)
- 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



CORPORATE INCOME TAX (CIT) CONTINUATION

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, royalties and others

Interest and royalties paid to a non-resident and fees for certain intangible assets and legal services (e.g. consulting, accounting, legal and technical services, advertising, data processing, market research, recruitment, management, inspection services and guarantees, etc.) are subject to **20%** withholding tax, provided that the rate is not reduced under the agreement on the avoidance of double taxation, or the EU Directive on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States.

New requirements for exemption from withholding tax on interest and royalties

Since 2017, the condition for exemption from the withholding tax, in the case of interest and royalties arising between affiliated companies, is that the recipient of the claims is the actual beneficial owner of these claims.

For the exemption to be applied, the Polish taxpayer must obtain a certificate which, in addition to the previous elements, contains an order that the company or the foreign enterprise, which is the recipient of the creditor claims, is the actual economic owner.

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).

Dividends paid by a Polish company:**International:**

Dividends paid by a company established in Poland.

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).

CORPORATE INCOME TAX (CIT) CONTINUATION

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.

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).

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-authorized 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 **01 January, 2017**, and has notified the competent tax office within the statutory deadline, has to apply it until at least the **end of 2019**. The accounting method chosen may be waived as of **01 January, 2020**.

If you select the balance method of calculating exchange differences, taxpayers on the first 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 the amount 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%**

CORPORATE INCOME TAX (CIT) CONTINUATION

Directive for the taxation of the parent and affiliated company	Exemption from withholding tax of capital gains distributions provided that: <ul style="list-style-type: none"> • Holding period 2 years • Minimum shareholding: 10%
Payments for interest and royalty to non-residents	Tax exemption applies to: <ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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	<p>Possible important pre-conditions (all the following conditions must be met):</p> <ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<p>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.</p>
Taxable income	<p>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.</p>

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

From **01 January, 2015**, the settlement of liabilities through non-cash contributions generates 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.



CORPORATE INCOME TAX (CIT) CONTINUATION

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:

- The level of control - the taxpayer has at least **25%** of the share capital, or at least **25%** of the voting rights in the control bodies, or at least **25%** of the profits of a foreign company for a period of at least **30 days**
- 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.

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.

So-called equity loans

On the **01 January, 2015**, Article 20, Paragraph 16 of the Corporate Income Tax law (CIT) introduced that it excluded 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.



CORPORATE INCOME TAX (CIT) *CONTINUATION*

Regulations regarding the validity of Certificates of Residence (CoR)

From **01 January 2015**, the Polish tax authorities changed 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.

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.

Temporary residence certificates issued for a limited period lose their validity at the end of the period stated on the document. This implies that the lack of a residence certificate means that the Polish entrepreneur has to deduct the withholding tax at the time of the corresponding payments, without taking account of the tax relief in accordance with existing double taxation agreements.



OTHER TAX ON CORPORATIONS

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 now they cannot exceed:

Property type	Tax rate
Land designated for the conduct of business	0.89 PLN/m²
Residential buildings	0.75 PLN/m²
Buildings designated for the conduct of business	22.86 PLN/m²
Structures	2% 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.

Amendments to transfer pricing rules

From the **01 January, 2017**, the next stage of the amendment of the Income Tax Act entered into force with regard to transfer pricing.

The most important changes are, the increase in the threshold for capital commitments (from **5%** to **25%**) and new value thresholds for the determination of transactions subject to the obligation to document. The documentation requirement is dependent on the income and costs of the taxpayer. Taxpayers who reach a certain income threshold are also required to attach a simplified PIT-TP or CIT-TP declaration to the tax return.

Standard Audit File (Jednolity Plik Kontrolny)

From **01 July, 2016**, the regulations come into force which introduce the filing of taxpayer records by taxpayers via a computer program. These will be transferred in full or in part, together with accounting documents, for the respective tax period. The electronic format (the so-called structure) is defined exactly.

The concept of the standard audit file is based on the recommendations of the OECD for the Standard Audit File - Tax 2.0 and was introduced in many European countries, among others, Austria, the Netherlands, France, Slovenia, Luxembourg, Portugal and the Czech Republic.

Currently, the following reporting structures are subject to:

- Structure 1 - Accounting - JPK_KR,
- Structure 2 - Account Statements - JPK_WB,
- Structure 3 - Stock - JPK_MAG,
- Structure 4 - VAT register for purchases and sales - JPK_VAT,
- Structure 5 - Invoices for VAT purposes - JPK_FA,
- Structure 6 - Tax Revenue and Expense Ledgers - JPK_PKPIR,
- Structure 7 - Revenue Ledger - JPK_EWI.

The obligation to transfer the data to the tax authorities in the form of the standard audit file can be divided into two areas:

- At the request of the tax authorities (JPK_KR/JPK_EWI/JPK_PKPIR, JPK_FA, JPK_MAG, JPK_WB, JPK_VAT),
- Without the request of the tax authorities (only JPK_VAT).

The VAT account in the form of the Standard Audit File (JPK_VAT) must:

- Without request,
- Every month - to the **25th day of the following month** to which they relate (notwithstanding if the entity is a VAT taxpayer paying VAT quarterly),
- The Minister of Finance and Economic Growth, MFIR (not the Financial Authority),
- Via an interface of the MFIR (saving the JPK_VAT on a data carrier or sending it via email is not allowed).

Standard Audit File (Jednolity Plik Kontrolny) cont.

Legal entities are obliged to submit the JPK files by the following deadlines, upon request of the tax authorities and the tax control authority:

- **From 01 July, 2016** - large companies and non-commercial legal entities that meet the criteria for large companies,
- **From 01 July, 2018** onwards - micro-businesses, and small and medium-sized enterprises that meet the criteria for micro-enterprises and small and medium-sized enterprises.

The obligation to submit the JPK_VAT file monthly (VAT account for purchase and sale) is valid from:

- **01 July, 2016** - for large companies and entities not being entrepreneurs, excluding these entities whose submission date was extended to the **31 January, 2017**
- **01 January, 2017** - for small and medium-sized enterprises and entities not being entrepreneurs which comply with the criteria of small and medium-sized enterprises
- **01 January, 2017** - for micro-businesses and entities not being entrepreneurs which comply with the criteria of micro-businesses.

Clause for circumventing the law on the exchange of shares:

The amendment to the Act on Corporate Income Tax (CIT) provides that the postponement of taxation in the case of exchange transactions involving shares, does not apply if one of the principal interests of the exchange transaction of shares is the avoidance or circumvention of taxation. This situation is particularly true if the exchange of shares is not based on justified economic aspects.

In addition:

Individual interpretations issued before the clause comes into force on tax evasion do not protect the taxpayer if tax advantages are challenged on the basis of this clause, after **01 January, 2017**.

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 with all amendments
Registration <i>For tax purposes, if PESEL is not applicable</i>	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 <i>(provided that no flat rate taxation scheduled)</i>	In 2017 changes to the tax calculation have been made - a higher income means a higher (progressive) tax and a simultaneous lower (digressive) tax. The tax revenue will depend on the amount of income: <ul style="list-style-type: none"> • 1,188.00 PLN - for an income of 6,600.00 PLN, • 1,188.00 PLN reduced by the amount according to the calculation pattern: 631.98 PLN x (income - 6,600.00 PLN) / 4,400.00 PLN - for an income exceeding 6,600.00 PLN and not exceeding 11,000.00 PLN, • 556.02 PLN - for income between 11,000.00 PLN and 85,528.00 PLN.
Tax-free income <i>(income tax allowance)</i>	6,600.00 PLN
Tax period	For natural persons: calendar year
Tax liability	<ul style="list-style-type: none"> • unlimited tax liability on worldwide income (unless a Double Taxation Treaty does confine the taxation obligation) • limited tax liability in certain domestic income: <ul style="list-style-type: none"> » 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 » 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 <p><u>PLEASE PAY SPECIAL ATTENTION TO:</u> In contrast to the German tax law there is no distinction between profit and surplus income</p>
Revenue streams	8 different revenues from: <ol style="list-style-type: none"> 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
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	<p>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.</p> <p>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.</p> <p>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.</p>
Legal basis for rendering work in Poland	<p>Employment contract with the Polish entity</p> <p>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.</p>

PRIVATE INCOME TAX (PIT) CONTINUATION

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

Foreign employment contract and secondment to Poland

a) Polish tax non-residents

The foreign individuals are personally responsible 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 nor 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

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



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 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 **January 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 choosing so, deductions from the taxable base and joint assessment with the spouse can not be drawn on.

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%

On the **01 January, 2015**, Article 30, Paragraph 1, Ref. 4b was 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 is be withdrawn by banks, co-operatives and other financial institutions who are obliged to pay cashbacks.

Private use of company cars

From the start of **2015** the private use of a company car up to and including an engine size of 1,600cc (cylinder capacity) is 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.

For a group transported to their place of work, which is organised by the employer, the clear regulation that this transport service does not constitute a claim for financial benefits and is not subject to taxation will apply in the future. The prerequisite, however, is that a motor vehicle with a passenger transport license of more than 9 persons (including vehicle drivers) is used for the transport of passengers.

PRIVATE INCOME TAX (PIT) CONTINUATION

Income of non-residents

The amendment to the provisions of the Income Tax Act specifies the mandatory list of sources of income of non-residents, which are considered to be in the territory of Poland. The amendment also introduces new types of income

From 2017 onwards, income is considered to be achieved in the territory of Poland if:

- from securities, including from financial derivatives admitted to trading on the Exchange, as well as from their sale or execution,
- the transfer of ownership of company shares, inter alia. From companies and investment funds in which real estate in Poland represents a direct or indirect asset of at least **50%**,
- from claims which are subject to a flat-rate tax which is regulated by Article 29 and which are carried out by Polish taxpayers, irrespective of the place of conclusion of the contract and the provision of services, come.

Income from a contribution in kind to the company

The amendment of the Income Tax Act, which came into force on **01 January, 2017**, changed the calculation method for income from acquired company shares / deposits in a co-operative which was taken over as a counterpart to non-monetary deposits. In the event that the value of the deposit item determined in the statutes, or the company agreement, is not determined or determined in a manner which does not correspond to the market value, the income is determined according to the market value and general rules. With regard to the Polish Limited Partnership on shares (as well as to their foreign counterparts treated as income taxpayers), these principles are applied exclusively with regard to non-monetary deposits whose property or rights are the basis.

The introduction of a limit for cash transactions

As of **01 January, 2017**, the threshold for transactions which can be settled in cash in the case of transactions between contractors is reduced from **15,000.00 EUR** to **15,000.00 PLN**.

In the event that cash payments are made above this limit, the associated costs may not be considered as expenses in the income tax declaration (PIT).

VALUE ADDED TAX (VAT)

Legal basis	Act of 11 March, 2004 on the taxation of goods and services with all amendments
Tax rates	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<p>A Polish legal entity is subject to the VAT registration obligation if the value of the sales in the previous tax year does not exceed 200,000.00 PLN.</p> <p>Taxpayers whose total sales value in 2016 exceeded 150,000.00 PLN and did not exceed 200,000.00 PLN can make use of the exemption from the VAT registration obligation.</p> <p>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).</p>
Compliance	<p>(a) Invoicing</p> <p>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:</p> <ul style="list-style-type: none"> • 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

VALUE ADDED TAX (VAT) *CONTINUATION*

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 “*” provided that the invoice includes information enabling to determine the value of VAT in relation to particular VAT rates.

(b) EU VAT tax

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.

Since the beginning of 2017 sales tax returns can only be submitted by small taxpayers on a quarterly basis if:

- **12 months** from the month in which the VAT registration has been registered as an active taxpayer,
- in the respective quarter or in the previous four quarters, no delivery of goods has been carried out, which is listed in Annex 13 of the Turnover Tax Law (unless the total value of such goods, less the tax, does not exceed the value of **50,000.00 PLN**).

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).

From the **01 January, 2017** onwards, the possibility of quarterly submitting summary reports no longer exists (on the basis of Article 1, Section 13 of the Act of **01 December, 2016** on the amendment of the Value Added Tax Act and some other laws).

(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.

Compliance (cont.)**(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.

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 of 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 supplier (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 concerns a paid delivery of goods, which also includes, inter alia, a gratuitous transfer of part of the company goods, the right to deduct input tax on the acquisition by the state, provided that the taxpayer had the right to deduct such input tax on the acquisition or manufacturing of such goods.

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.

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
 - 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
-

Place of performance*(cont.)*

- 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

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

Effective from **01 January, 2015**, there was 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.

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).

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: <ul style="list-style-type: none"> • 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 April, 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	The buyer pays the VAT, or applies the tax exemption for the delivery of a property after the fulfillment of special conditions.
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 (after the fulfillment of special conditions): <ul style="list-style-type: none"> • 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 second-hand goods used solely for the purposes of an activity exempt (net of tax)
- Financial services (provision of loans, management of bank accounts, money exchange) with the exception of leasing, factoring or advice
From **2017** without:
 - » services which establish an integral part of financial services, even if they are appropriate and necessary for the provision of financial services,
 - » services which form part of the provision of financial services.

In other words: the tax exemption of auxiliary services for financial and insurance services.

- 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
-



VALUE ADDED TAX (VAT) *CONTINUATION*

Input tax reduction

No deduction for the purchase 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 change from **01 April, 2014**. The deductible amount 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 limited. But if a taxpayer uses a car exclusively for own business purposes, they are entitled to deduct the full VAT amount. A full right to deduct shall also apply when a motor vehicle is structurally designed to transport at least 10 persons including the driver (must follow from vehicle documents).

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.

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**).

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-imbursment 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 **30 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

VALUE ADDED TAX (VAT) CONTINUATION

Intra-Community transport	<ul style="list-style-type: none"> • Intra-Community acquisition • Intra-Community supply
Intra-Community supply (to registered entrepreneurs)	<p>Provided that the following conditions are fulfilled, a tax rate of 0% in Poland will be applied:</p> <ul style="list-style-type: none"> • 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	<p>The taxation on supplies of goods to consumers (private individuals) in another membership country of the European Union takes place in Poland.</p> <p>Exceptions:</p> <ul style="list-style-type: none"> • 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 are handed over in the name of the supplier to the final consumer, provided that the value of the goods sold exceeds a certain turnover limit on the part of the supplier)
Reporting requirements	<ul style="list-style-type: none"> • Summing up reports are to be delivered in general on a monthly base • To be captured: <ul style="list-style-type: none"> » 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
When the tax changes become chargeable	<p>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.</p>
Definitions of the tax base	<p>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.</p>

**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 **01 January, 2014**, that you are certain when the tax liability has arisen due to the documented through the relevant invoice.

The regulations give you the right to deduct intra-Community acquisitions of goods from the receipt of the seller's invoice.

From 2017 onwards, a new condition was introduced for the billing period for VAT on intra-Community acquisitions, according to which the taxpayer can reduce the tax due by the input VAT resulting from the intra-Community acquisition of goods referred to in Article 9 of the Turnover Tax Law if:

- the latter takes into account the value of the VAT payable on intra-Community goods acquired in the tax return in which you are obliged to settle this tax,
- this is not later than within a period of three months from the month in which a tax liability has been incurred, with regards to the goods purchased.

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 **01 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.

**Changes in VAT
2016 - prefactor**

From **2016** a preproportion was introduced which relates to VAT deduction on expenditures for both the business activities and activities of a different nature, which cannot be fully attributed to only one of the two categories of activities. This change is of great importance in particular for local government units, performing their own tasks which go beyond VAT and activities on the basis of civil law contracts subject to VAT, but also any taxpayer whose activities go under VAT and activities falling outside the scope of the VAT Act.

VALUE ADDED TAX (VAT) CONTINUATION

Changes in VAT 2016 - prefactor (cont.)

The method of calculating the prefactor was left to the taxpayer, with the VAT Act introducing a catalogue of illustrative data that can be taken into account:

- personnel data
- area data
- financial and trading data
- time-related data.

The choice of the method used to calculate the value of the prefactor is free, but the preindicator must be representative and meet the specifics of the taxpayer's business.

The regulation introduced in **2016** significantly restricts the right to deduct input VAT for taxpayers engaged in mixed activities (VAT and non-VAT).

Changes in VAT 2017 - The VAT declaration is submitted almost exclusively by electronic

The VAT declaration is submitted almost exclusively by electronic means within the period between January and December 2017, the duty to electronically filed declarations does not concern those taxpayers who:

- do not have to register as VAT payers,
- do not supply goods or provide services for which the taxpayer is the acquirer, in accordance with Article 17 (1), points 7 and 8 of the Turnover Tax Act, nor acquire goods or services,
- do not have to submit any explanations, information and annual tax returns by means of electronic communications, since they are taxpayers for no more than 5 taxpayers.

Other taxpayers will use the online declarations (e-Declarations) from **2018** onwards.

Changes in VAT 2017 - Rejection of a taxpayer's application

The amendment to the VAT Act establishes the conditions for the rejection of an application for a legal entity for VAT purposes and specifies the conditions for the deletion of a taxpayer from the VAT register:

- rejection of the application is made when the verification process highlights that the data given during the registration are incorrect, that the respective legal entity does not exist or that despite the attempt to contact the legal entity or its authorised representative, this is not possible or who, upon request, do not report to the Director of the Tax Office,
- the deletion of a registered taxpayer is carried out, e.g. in the following cases: suspension of business activity (for at least six consecutive months), no sales tax returns (for six consecutive months or two consecutive quarters), issuing invoices or corrected invoices for transactions which have not been carried out.

Changes in VAT 2017 - Reverse charge procedure

The acquisition of processors, semi-finished jewellery, jewellery waste, waste and scrap from base metal, as well as construction services (with respect to sub-contracted services), including the reverse batch process.

In the reverse-batch process, one has to distinguish between three significant changes in VAT:

- the extension of the catalogue to goods covered by the reverse batch procedure (Annex 11),
- including the reverse batch procedure of the aforesaid services (new Annex 14),
- the right to deduct VAT for legal entities engaged in the conversion of goods and services involving the reverse batch process.

Changes in VAT 2017 - Sales tax revenues from 2017

It is clear from Article 110a (1) of the Turnover Tax Law, the taxpayer must evaluate with the possible imposition of sanctions by the Director of the Tax Office (or the Tax Inspectorate), if the taxpayer confirms:

- in a submitted tax return:
 - » a taxable amount lower than the tax liability,
 - » shows a tax differential to be reimbursed or a pre-tax offset which is higher than the tax burden,
 - » a tax difference to be deducted from the tax liability for the next tax periods which is higher than the tax liability,
 - » a tax difference to be reimbursed, a pre-tax adjustment or a tax difference to be deducted from the tax liability for the next tax periods, but a tax liability to be borne by the tax office.
- did not submit any tax returns and did not pay the tax liability.

In this case, the Director shall determine the amount of tax to be paid, as well as the additional tax liability amounting to **30%** of the amount by which the tax credit was submitted, or **30%** of the amount by which the tax difference to be reimbursed, the tax difference to be deducted from the tax liability has been increased for the next tax periods.

VALUE ADDED TAX (VAT) CONTINUATION

Changes in VAT 2017 - Accelerated refund of VAT *cont.*

An accelerated **25-day** refund period for VAT is still possible, although the use of this advantage is subject to a number of requirements which must be met. The VAT refund with this shorter deadline is possible if:

- the input tax (VAT in connection with acquisitions), which is shown in the tax return, with the exception of the pre-tax surplus from acquisitions, which is deducted from the previous tax period, and which:
 - » from invoices which document the sums owed and which are paid in full through a bank account of the taxpayer in a bank which is domiciled in Poland, or through an account of the taxpayer in a co-operative bank of which he is a member; in the identification application.
 - » other invoices documenting receivables, If the total amount of such duties does not exceed **15,000.00 PLN**,
 - » has been settled by the taxpayer from the customs documents, the import declaration and the decisions referred to in Article 33 (2) and (3) and Article 34,
 - » the import of goods which are settled in accordance with Article 33a on the intra-Community acquisition of goods and the provision of services for which the recipient of the service is the taxpayer, shall indicate in the tax declaration the tax liability arising from those transactions;
 - the input tax or the pre-tax surplus has not been settled in the previous tax periods and does not exceed **3,000.00 PLN** in the tax return;
 - the taxpayer presents a document to the tax authority which confirms the settlement of the tax (confirmation of the transfer made by the account indicated in the CEIDG-1 application);
 - the taxpayer for more than 12 consecutive months immediately preceding the tax period in which the latter applies for a refund of **25 days**,
 - » was registered as an active person subject to VAT,
 - » submitted a VAT declaration for each tax period.
-



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: <ul style="list-style-type: none"> • 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

THE NATIONAL COURT OF JUSTICE (KAS)

Changes from 01 March, 2017

The Customs Administration, Tax Administration and Tax Inspection will be transferred to the National Courts Administration from the **01 March, 2017**, as required by the Law of **16 November, 2016** on the introduction of the National Courts Administration.

The law primarily regulates the change in the internal structure and the relationship between the authorities of tax administration, tax control and customs administration. The law emphasises two points concerning the affairs of taxpayers:

- Previously interpretations were issued by the Directors of Tax Chambers, after the entry into force of the Law of the KAS, problems relating to the interpretation of individual held to be Director of the National Tax Information.
- The problem in the KAS Act relating to the taxpayers is the customs financial control.

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 **14%** 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

Since the new year, the Directors of the Tax Office or the Tax Inspectorate have been able to impose on taxpayers additional obligations of **30%** of the amount by which the tax credit has been reduced, or **30%** of the amount by which the tax difference or the tax difference to be deducted from the tax liability for the next tax periods. A correction of the error can reduce the rate from **30%** to **20%**.

An additional obligation arises when the treasury finds that the VAT subject in the submitted shows:

- a taxable amount lower than the tax liability,
- shows a tax differential to be reimbursed or a pre-tax offset which is higher than the tax burden,
- a tax difference to be deducted from the tax liability for the next tax periods which is higher than the tax liability,
- a tax difference to be reimbursed, a pre-tax adjustment or a tax difference to be deducted from the tax liability for the next tax periods, but a tax liability to be borne by the tax office.

Furthermore, **30%** of the penalties also apply to taxpayers who do not submit tax returns and do not settle the tax burden against the tax authorities.

In the current legal situation, increased default interest rates are threatened when uncovering a lack of a VAT declaration or a lack of a settlement of the tax liability.

100% of the VAT on false invoices

The percentage of additional commitments increases to **100%** of the input tax that results from the invoices if it is established that the invoices with increased deductible VAT:

- have been issued by a non-existent legal entity,
- activities which have not been carried out (as regards the part relating to those activities),
- amounts which do not correspond to reality (with regard to the items for which amounts are not true),
- support the activities in which Article 58 of Civil Law applies (as regards the part relating to those activities).

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
- Penalty for failure to submit (sending) or non-timely filing (sending) of the standard audit file

INTEREST

Fiscal 8% per annum

Legal 14% p.a.

Reduced rates

For tax arrears incurred from **01 January, 2016**, a reduced rate of interest is applied equal to a half of the standard rate (currently **4%**), subject to the submission of a corrected tax return, in person, without the intervention of the tax authority, within 6 months from the date of expiry of the deadline to submit such tax return and the payment of tax arrears within **7 days** from the date of submitting such correction.

The rate reduced by half (currently **4%**) will also apply to tax arrears generated prior to **01 January, 2016**, subject to the submission of a corrected tax return from **01 January to 30 June, 2016**, and the payment of tax arrears within **7 days** from the date of submitting such correction.

Therefore you are encouraged to verify the correctness of the submitted tax return independently, and, if errors are disclosed, submit the correction and pay any arrears within this period. The reduced rate shall apply regardless of the amount of disclosed arrears. If the correction disclosing tax arrears incurred before **01 January, 2016**, is submitted after **30 June, 2016**, the rate of default interest shall be 3/4 of the standard rate (currently **6%**).

Increased rate

On the **01 January 2016**, an increased interest rate of **150%** of the base rate (currently **12%**) will apply to tax refunds on goods and services, as well as to back-up excise duties and customs duties.

This rate shall be applied if the tax authority detects in the course of its tax procedures (verification activities, tax audit or tax proceedings) an understatement of tax liabilities (overestimation of overpayment or tax refund) in the amount exceeding **25%** of the amount due and higher than the amount of **9,250.00 PLN** (5 x minimum salary), or the lack of the tax return and tax payment.

However, even for these taxes if an independent verification of the correctness of the submitted tax return is made, and, if errors are disclosed, the correction is submitted and the payment of arrears is made, the reduced rate shall apply. The reduced rate shall apply regardless of the amount of disclosed arrears.

It is therefore in the best interest of taxpayers to verify the tax return, submit the correction and pay arrears independently. This shall allow for applying a reduced rate.

TAX LIMITS IN 2017

In 2017, current income limits concerning inter alia status of small-business enterprises

Small-business enterprises (maly podatnik) for VAT and Personal Income Tax: **5,157,000.00 PLN**

Income limit that entitles lump-sum of taxation of recognised income: **644,640.00 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 - **5,157,000.00 PLN**

Maximum total amount of depreciation in a year, as part of one-off depreciation - **215,000.00 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	04.11.12	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 (Zakład Ubezpieczeń Społecznych) 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 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 **127,890.00 PLN in 2017**. 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.

PENSION INSURANCE

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.)*

In **2014**, there was a change concerning Insurance Pillar II. The insured were making a choice whether to use the services of OFE (Open Pension Funds) and their sub-accounts in ZUS (Social Insurance Company), or move their funds entirely on their sub-accounts in ZUS. Another such opportunity, which can also happen in the other direction, will take place in **2016**, and then every **4 years**.

The act introducing the voluntary nature of the transfer of contributions to OFE also provides for the so-called transfer windows, during which the insured may again decide whether they want to have their pension contributions to be evidenced on the sub-account in ZUS (**4.38%**) and in part transferred to OFE (**2.92%**), or fully evidenced on their sub-accounts in ZUS (**7.3%**).

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.



DISABILITY INSURANCE

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 FOR INDUSTRIAL ACCIDENTS AND OCCUPATIONAL DISEASES

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.

If you have any further questions related to the information within this booklet, please contact us.



SOCIAL SECURITY FOR SICKNESS AND MATERNITY

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
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).

Parental leave is granted immediately after maternity leave or maternity allowance is used by an employee for a period equal to the period of maternity leave by the insured person who is not an employee, in no more than 4 parts which are multiples of a week, falling directly one after another or immediately after using maternity allowance for the period corresponding to a part of parental leave.

SOCIAL SECURITY FOR SICKNESS AND MATERNITY *CONTINUATION*

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

Maternity allowance for the period specified in the Labour Code provisions as a period of parental leave is granted for up to:

- **32 weeks** - in the case of the birth of one child and for the adoption for upbringing and to apply to the guardianship court for instituting proceedings for adoption or acceptance of upbringing as a foster family with the exception of a professional foster family of one child up to the age of seven, and in the case of a child towards whom it was decided to postpone the compulsory schooling up to the age of ten, hereinafter referred to as "the adoption of a child for upbringing"
- **34 week** - in the case of the birth during one delivery of two or more children and in the case of a simultaneous adoption for upbringing of two or more children
- **29 weeks** - in the case of adoption of a child for upbringing, when the employee is entitled to a minimum maternal leave of 9 weeks.

The maternity allowance for the period corresponding to the period of parental leave can also be used by both parents at the same time, however, the total period of the leave enjoyed by both parents must not exceed **32, 34 or 29 weeks**.

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.

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





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Since 2007, **getsix®** set out on a journey to achieve a best in class company, supported with a brilliant team of dedicated specialists, within a friendly work environment. With those goals in mind it has allowed us to aim high with regards our customer service and client offering. Client satisfaction has always been our priority through our internal 'Business Framework', which creates a learning platform to allow **getsix®** to grow while continually improving through our ISO 9001:2008 procedures.

getsix® continues to support the time and effort that goes into creating this tax brochure. The feedback we receive from the recipients continue to encourage us and we hope you find of benefit throughout the year. 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.

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.



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YEARS

Ortwin-Uwe Jentsch

Monika Martynkiewicz-Frank

Claus Frank

Roy Heynlein

The status of all information complies with the effective date of the publication. No responsibility is taken for the published information.

Editorial deadline: 01.03.2017

Publication: Year 2017

This publication was prepared by **getsix**® in co-operation with the TaxaGroup.

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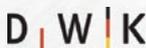
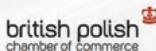
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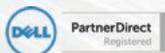
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For binding information you are requested to take up direct contact with the editors-in-chief.

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NCAGE 2152H



Item Code: E0006 (Mar. 17)



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ISBN 978-83-947292-1-9



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