



POLISH DEAL

CHANGES IN TAXES AND SOCIAL SECURITY FROM JANUARY 2022

TAXES AND SOCIAL SECURITY IN POLAND - NEW CHANGES FROM 01.2022

- Changes in Polish Personal Income Tax (PIT)
- Changes in the scope of Polish lump sum tax on registered income
- Changes in Polish Corporate Income Tax (CIT)
- Changes in the scope of the Polish Value Added Tax (VAT)
- Changes applicable to Polish Personal Income Tax (PIT) and Corporate Income Tax (CIT)
- Changes in the Polish act on health care services financed from public funds

POLISH DEAL - WHAT IS IT ABOUT?

On November 15, 2021 the President signed into law the Act of 29 October 2021 amending the Personal Income Tax Act, the Corporate Income Tax Act and certain other acts (Polish Journal of Laws 2021, item 2105), which is part of the program known as the "Polish Deal" and introduces a number of changes in Polish tax regulations, most of which are to be effective from January 1, 2022 onwards.

WE PRESENT THE MOST IMPORTANT CHANGES OF A TAX NATURE INTRODUCED BY THIS ACT:

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CHANGES IN POLISH PERSONAL INCOME TAX (PIT)

DETERMINATION OF THE TAX AMOUNT FOR TAXPAYERS SETTLING ACCORDING TO THE TAX SCALE

The tax-free amount has been increased to PLN 30,000 for all taxpayers who are settling their dues according to the tax scale - regardless of the amount of their income. The income threshold above which the 32% progressive tax rate applies has also been increased from PLN 85 528 to PLN 120 000.

For employees or taxpayers with income from self-employment (non-agricultural business) activity in the amount between PLN 68,412.00 and PLN 133,692.00 the so-called "middle class relief" has been introduced, which consists in the possibility of deducting from income earned an appropriate amount calculated using a formula specified in the act.

ELIMINATION OF THE TAX DEDUCTIBILITY OF A PORTION OF THE HEALTH INSURANCE PREMIUM PAID

For all taxpayers, regardless of their tax settlement method, the possibility to deduct paid health insurance premiums from their taxes due has been abolished. Before the change in regulations, it was possible to partially deduct it (up to **7.75%** of the contribution assessment basis).

TAX RELIEF FOR TAXPAYERS TRANSFERRING THEIR PLACE OF RESIDENCE TO THE TERRITORY OF THE REPUBLIC OF POLAND

Up to **PLN 85,528**, the income of a taxpayer who transfers



his place of residence to Poland is exempt from income tax. The relief applies to income earned in four consecutive tax years, counting from the beginning of the year in which the taxpayer moved his place of residence to Poland or from the beginning of the following year.

The exemption applies only to income earned:

- from service relationship, employment relationship, contract work and co-operative employment relationship,
- from contracts of mandate or contracts for specific work as specified in Art. 13 point 8 of the Polish PIT Act,
- from self-employment (non-agricultural business) activities to which the taxation rules set forth in Art. 27, Art. 30c or Art. 30ca of the Polish PIT Act (or in the Lump Sum Income Tax Act with respect to lump sums from registered income) apply.

The taxpayers to whom this relief is addressed are persons who changed their tax residency to Poland and for the last 3 years before the change of tax residency were not domiciled in Poland.

Residence outside Poland may be confirmed by a certificate of residence or other documents, e.g. certificates issued by administrations of other countries and documents concerning work or residence abroad.

SENIOR CITIZEN TAX RELIEF

The senior citizen tax relief consists of a tax exemption of income up to **PLN 85,528.00** in a tax year.

The senior citizen's tax relief is available to women over 60 and men over 65 whilst still earning income:

- from a service relationship, employment relationship, employment contract or co-operative employment relationship,
 - from contracts of mandate or contracts for specific work as defined in Article 13 point 8 of the Polish PIT Act,
 - from self-employment (non-agricultural business) activities to which the taxation rules set forth in Art. 27, Art. 30c or Art. 30ca of the Polish PIT Act (or in the Lump Sum Income Tax Act with respect to lump sums from registered income) apply.
- who, in spite of attaining the right to receive a pension, resign from receiving it.

This means that working seniors who do not receive a pension will pay tax only after they exceed the income threshold of **PLN 115,528.00** (**PLN 30,000.00** free amount for everyone + **PLN 85,528.00** relief for seniors).

TAX RELIEF FOR TAXPAYERS RAISING AT LEAST FOUR CHILDREN

Income up to the amount of **PLN 85,528.00** in the tax year will be exempt from taxation for taxpayers raising at least four children.

This relief is available to any person who in the tax year:

- exercised legal parental authority,
- acted as a legal guardian with whom the child resided,
- acted as a foster family,
- fulfilled his/her alimony obligation or performed the function of a foster family in the case of school-age children

- for at least four children.

The exemption applies only to income obtained:

- from a service relationship, employment relationship, employment contract or co-operative employment relationship,
- from contracts of mandate or contracts for specific work as specified in Art. 13 item 8 of the Polish PIT Act,
- from self-employment (non-agricultural business) activities to which the taxation rules set forth in Art. 27, Art. 30c or Art. 30ca of the Polish PIT Act (or in the Lump Sum Income Tax Act with respect to lump sums from registered income) apply.

This means that persons raising at least four children will pay tax only after they exceed the income threshold of **PLN 115,528.00** (**PLN 30,000** free amount for everyone + **PLN 85,528** relief). For spouses who settle jointly, the tax-free amount will be **PLN 231,056.00**.

CHANGE IN THE RULES OF TAXATION OF INCOME DERIVED FROM PRIVATE RENTAL OR LEASE OF BUILDINGS AND RESIDENTIAL PREMISES

The possibility of taxation according to tax scale of income generated from private lease of buildings and residential premises has been eliminated. All taxpayers who earn income in this way will have to tax it as a lump sum on registered income. The flat rate will remain unchanged and will amount to **8.5%** of revenue up to **PLN 100,000.00** and **12.5%** of revenue in excess of **PLN 100,000.00**.

CHANGES AIMED AT COUNTERACTING ILLEGAL EMPLOYMENT

The introduced changes are aimed at making the dishonest employer take over the burden of income tax on remuneration of the natural person he illegally employed.

Income received by an employee due to illegal employment has been exempted from taxation.

At the same time, an employer who employs an employee illegally must include in his taxable income the value of the illegally employed employee's income and, in addition, the equivalent of the minimum wage for each month in which the illegal employment was identified.

CHANGE IN TAXATION OF SALE OF MOVABLE PROPERTY USED IN THE COURSE OF BUSINESS UNDER A LEASE AGREEMENT

Business income will include income from the sale of movable property used for business purposes under a lease agreement. This also includes a situation when these assets were withdrawn from business activity, if 6 years have not passed between the first day of the month following the month when these assets were withdrawn from business activity and the date of their disposal against payment.

This change affects most of all persons who use cars under lease agreements to conduct business activity. Until now, after the end of the agreement and purchase of the leased car, such a person could sell the car after 6 months from the date of purchase without the need to tax the revenue generated from the sale. Currently, it will be possible only after the lapse of 6 years from that moment.

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CHANGES IN POLISH CORPORATE INCOME TAX (CIT)

INTRODUCING A DEFINITION OF COMPANY MANAGEMENT BOARD IN POLAND

So far, the regulations specified that taxpayers are subject to taxation on their total income, regardless of where it is earned, if they have their registered office or management board within the territory of the Republic of Poland.

Such regulation still remains unchanged, however, a provision has been added which stipulates that a taxpayer has a management board within the territory of the Republic of Poland, inter alia, if current affairs of that taxpayer are conducted in an organized and continuous manner within the territory of Poland - on the basis of, in particular:

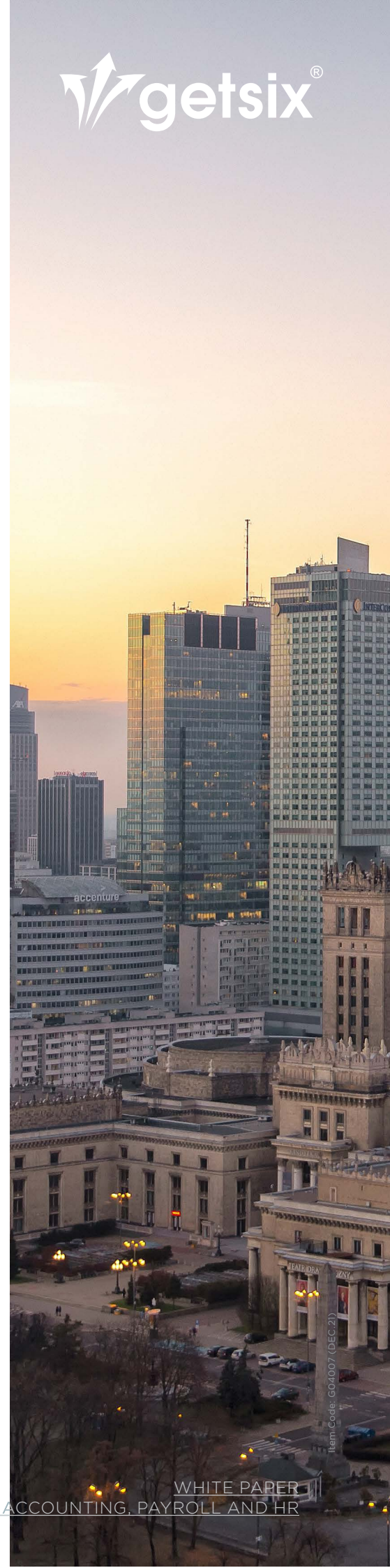
- an agreement, decision, court ruling or other document regulating the establishment or functioning of that taxpayer, or
- powers of attorney granted, or
- relationships in the meaning of Art. 11a par. 1.5 of the Polish CIT Act.

The introduced change aims at taxing in Poland the income obtained by companies established abroad and formally having their registered office abroad, but which are in fact managed from the territory of Poland.

CHANGES IN LUMP-SUM TAXATION ON CORPORATE INCOME (ESTONIAN CIT)

EXTENSION OF THE GROUP OF TAXPAYERS ENTITLED TO OPT FOR A LUMP-SUM TAX ON CORPORATE INCOME

A simple joint-stock company, a limited joint-stock partnership and a limited partnership have been added



to the list of entities that may opt for the Estonian taxation model. However, it should be remembered that the condition which must be fulfilled in order for the companies to be able to apply the flat-rate taxation to their income is that their owners (shareholders, partners respectively) may be exclusively natural persons.

The principle according to which the lump-sum tax on income could be chosen only by those companies whose total revenue from business activity in the previous tax year did not exceed **PLN 100,000,000** was abandoned.

The requirement for lump-sum companies to incur investment expenses at a certain level was abolished. Currently the company will be able to benefit from income taxation in this form even if it does not incur any costs of fixed assets acquisition.

MODIFICATION OF THE PRINCIPLE OF ACCOUNTING FOR THE COMPENSATION OF RESULTS WHEN A COMPANY OPTS FOR A LUMP-SUM TAX ON ITS INCOME

The choice of the lump-sum taxation involves the necessity of equalization of the financial balance result and the tax result, which has so far led to an additional tax obligation.

After the introduction of amendments, the taxpayer, in compliance with certain rules and using a lump sum from income of companies for at least four consecutive years, may not pay tax determined on the basis of income and costs defined within the equalization of the financial balance results and tax results.

TAX RATE CHANGE

The rate of tax paid as a lump sum on corporate income will be **10%** for small taxpayers and **20%** for others.

CHANGE IN THE RULES OF TAXATION OF PROFIT GENERATED BUT NOT DISTRIBUTED DURING THE PERIOD OF APPLICATION OF THE FLAT-RATE TAXATION

As a result of the introduced changes, the obligation to pay the tax may arise only after payment or distribution of the generated profit after termination of application of the lump-sum tax, and its taxation will then be performed according to the rules applicable to a given taxpayer in the period of application of the lump-sum taxation on companies.

Alternatively, the taxpayer may pay the tax before disposing of the income, by the end of the third month after the end of the year of application of the flat rate.

CHANGE IN THE DEFINITION OF TAXABLE "HIDDEN GAINS"

Under the new law, taxable hidden gains additionally include:

- surcharges paid in case of merger or division of entities,
- interest on capital share paid to the shareholder by the company,
- profit designated for the purpose of supplementing the capital share of a shareholder of the company,
- pecuniary and non-pecuniary benefits paid in case of reduction of a shareholder's capital share in the company.

In case of such disposition of the company's property, tax liability will arise.

CHANGE IN THE SCOPE OF PIT TAXATION OF PARTNERS

A **19%** flat-rate income tax is levied on income earned by a shareholder from distributions of distributed profits of a company - earned by the company in the period of lump-sum taxation on company income. The change concerns the rules determining the possibility of deducting this tax. According to the new regulations, if the company distributing profit is a small taxpayer, the tax is reduced by the amount constituting **90%** of the amount corresponding to the multiple of the shareholder's percentage share in the company's profit, calculated as at the date on which the shareholder acquired the right to the distributed profit payment and the due lump-sum tax on the companies' income from the distributed profit of that company, from which the income was derived. For companies that are not small taxpayers, the reduction will be made using a ratio of **70%** instead of **90%**.

MINIMUM TAX

The legislator has introduced the so-called minimum income tax, which will apply to domestic taxpayers, tax capital groups and foreign taxpayers conducting their business activity through a permanent establishment located in Poland.

The obligation to pay the tax arises if the aforementioned entities incur a loss from a source of revenue other than capital gains or reach a profitability threshold not exceeding **1%**, calculated as the ratio of revenue from a source of revenue other than capital gains to revenue other than capital gains.

Taxpayers who start a business during the first three years of its operation are excluded from this tax. The subject exclusion also includes financial enterprises listed in the Act and taxpayers whose income in the tax year is at least **30%** lower than the income earned in the previous year.

Taxpayers whose partners are exclusively natural persons are also excluded from the minimum income tax under certain conditions.

THE TAX RATE IS 10% OF THE TAX BASE, WHILE THE TAX BASE IS THE SUM OF:

- an amount corresponding to **4%** of the value of income other than capital gains earned in the tax year;
- the costs of debt financing incurred for the benefit of related entities in the part exceeding the amount calculated according to the formula specified in the Act;
- the value of deferred income tax resulting from the disclosure in tax settlements of an intangible asset not yet subject to depreciation to the extent that it results in an increase in gross profit or a decrease in gross loss;
- certain costs incurred for the benefit of related parties in excess of **PLN 3,000,000** or the amount calculated according to the formula specified in the Act.

THE TAX BASE SHALL BE REDUCED BY:

- the value of deductions from income, excluding deductions made in connection with the so-called bad debt relief - whereby in the event of a refund of amounts deducted, the amounts previously deducted must be added;
- the value of tax-exempt income earned from business activity conducted in special economic zones or in the Polish Investment Zone.

PREFERENTIAL SYSTEM OF TAXATION OF HOLDING COMPANIES

A holding company means a limited liability company or a joint stock company being a taxpayer with Polish tax residency and meeting the conditions specified in the act, the basic one of which is holding, for an uninterrupted period of at least 1 year, directly on the basis of ownership title, at least **10%** of shares (stocks) in the capital of the dependent company.

THE PREFERENTIAL SYSTEM OF TAXATION OF THE INCOME OF SUCH A COMPANY CONSISTS IN:

- exemption from taxation of **95%** of the amount of dividends received by the holding company from subsidiaries,
- full exemption from taxation of profits from disposal of shares in subsidiaries.

Stosowanie wskazanych powyżej preferencji jest jednak uzależnione od spełnienia licznych warunków przewidzianych w ustawie. However, the application of the aforementioned preferences depends on the fulfillment of numerous conditions provided for in the act.

FACILITATION OF ESTABLISHMENT AND OPERATION OF TAX CAPITAL GROUPS

The changes are designed to ease the conditions for setting up and operating tax capital groups and to protect them against the tax consequences of a temporary decrease in their profitability. The changes will also enable smaller entities to form tax groups.

THE CATALOG OF CHANGES IN THIS AREA INCLUDES:

- reduction of the minimum required share capital of companies establishing a tax capital group - under the new regulations, it may be established by capital companies whose average share capital amounts to **PLN 250,000**;
- change of the form reserved for the agreement on establishing a tax capital group to the ordinary written form;
- removal of the condition of inadmissibility of mutual relations between subsidiaries forming a tax capital group;
- removal of the profitability requirement of a **2%** share of income in revenues;
- introduction of a possibility of transformations, mergers and divisions of companies forming a capital group;
- change to the rules of extending the period of functioning of a tax capital group;
- enabling the settlement of losses accumulated before the formation of the group.

CHANGES IN THE SCOPE OF EXCLUSION OF THE COSTS OF DEBT FINANCING FROM THE TAX DEDUCTIBLE COSTS

Due to previous interpretation doubts regarding the regulations limiting the possibility of including the costs of debt financing as tax deductible costs, the legislator clearly indicated that the costs of debt financing should be excluded from tax deductible costs in a situation where they exceed **PLN 3,000,000** or an amount calculated in accordance with the formula indicated in the Act.

TAX RELIEF FOR CONSOLIDATION

It is possible to deduct from income the amount of up to **PLN 250,000** spent on the purchase of shares in a company engaged in or supporting an activity identical to that carried out by the taxpayer, provided that the shares purchased must give the taxpayer an absolute majority of voting rights in the acquired company.

Only the costs of legal services for the acquisition of shares and their valuation, as well as notary, court and stamp duties, taxes and other public and legal fees paid in Poland and abroad, are considered as expenditures for the acquisition of shares, while the price paid for these assets or the cost of debt financing of such an acquisition does not constitute expenditures for the acquisition of shares.

TAX RELIEF FOR IPOs

Taxpayers offering their shares to the public for the first time are allowed to deduct from their income:

- **150%** of the expenses for the preparation of the prospectus, notary, court, stamp and exchange fees, and the preparation and publication of announcements required by law,
- **50%**, but not more than **PLN 50,000**, of the expenses (excluding value added tax) on legal advisory services, including tax and financial advisory services.

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CHANGES APPLICABLE TO POLISH PERSONAL INCOME TAX (PIT) AND CORPORATE INCOME TAX (CIT)

CHANGE IN WITHHOLDING TAX REGULATIONS

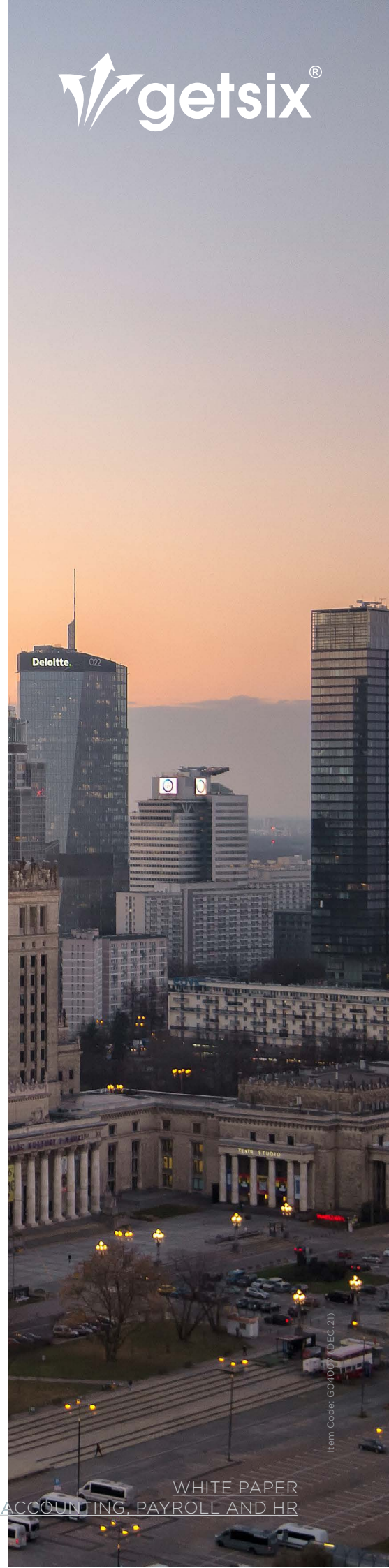
The restrictions on the inability to withhold tax on the basis of the relevant double tax treaty, as well as the inability to take into account exemptions or rates resulting from special regulations or double tax treaties, which apply to payments of certain receivables subject to withholding tax exceeding **PLN 2,000,000** to a single entity, have been significantly minimized. After the changes will come into force, these limitations will apply only if the payment is made to a related entity which is not a Polish tax resident.

It also extended the subject matter of the opinion on the application of the exemption to references provided for in double taxation treaties.

CHANGES IN THE SCOPE OF DEPRECIATION OF TANGIBLE AND INTANGIBLE ASSETS

The following have been excluded from depreciation:

- co-operative ownership right to residential premises;
- right to a single-family house in a housing cooperative;
- residential buildings with cranes in them;
- residential premises constituting separate real estate.



With respect to PIT, a change was also introduced in the manner of determining the initial value of fixed assets which were used by the taxpayer before entering them in the records and were not depreciated beforehand. Their initial value will be their purchase price - not higher than the market value.

LIMITATION IN TERMS OF CONDITIONS FOR INCOME TAX EXEMPTION FROM REALIZATION OF INVESTMENTS IN POLISH INVESTMENT ZONE OR IN SPECIAL ECONOMIC ZONES

The Act clearly states that only the income from business activity earned from the realization of a new investment and obtained in the area specified in the decision on support is subject to income tax exemption.

NEW TAX RELIEFS FOR ENTREPRENEURS

PROTOTYPE TAX RELIEF - Relief introduces rewarding taxpayers' activities in which they develop and put into production a new product to then bring it to market.

EXPANSION TAX RELIEF - Is addressed to entrepreneurs who have increased their sales revenue in a non-incidental manner or have gained revenue by introducing new products or by starting sales in a new market.

CSR (CORPORATE SOCIAL RESPONSIBILITY) TAX RELIEF - For taxpayers who support sports, culture and education.

ROBOTIZATION TAX RELIEF - It is aimed for entrepreneurs purchasing new machinery and equipment as defined in the Act. The relief applies only between the beginning of the tax year beginning in 2022 and the end of the tax year beginning in 2026.

TAX RELIEF FOR THE COSTS OF ACQUIRING AND USING A PAYMENT TERMINAL - Can be claimed in the tax year in which the taxpayer started using a payment terminal and in the following year.

TAX RELIEF RELATED TO THE EMPLOYMENT OF INNOVATIVE EMPLOYEES - Complements the relief for research and development activity, which will consist in the taxpayer retaining (i.e. not paying to the tax office) a part of the advance tax payments, or lump-sum tax, collected from the salaries of employees, contractors

and authors directly involved in research and development activity - calculated taking into account the tax rate applicable to the entrepreneur.

Increase of the bonus rates for qualified costs of research and development activity and introduction of the possibility to apply simultaneously, with respect to the same income, the R&D tax relief and IP Box. Thus, taxpayers will be able to apply a **5%** tax rate to income determined taking into account the R&D relief.

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CHANGES IN TRANSFER PRICING INTRODUCED BY THE POLISH DEAL FROM 01.2022

1. The definition of related parties has been modified. It has been clearly indicated that related parties are:
 - a limited partnership and its partner,
 - a limited joint-stock partnership and its partner,
 - general partnership and its partner.
2. Transfer pricing adjustments have also been allowed to be made in minus situations where the taxpayer has received accounting evidence from a related party that confirms that the related party made a transfer pricing adjustment in a specified amount.
3. The loan agreement has been specified to comply with the terms and conditions of the financial safe harbour in terms of interest rates, including in the event that the loan agreement is amended.
4. It has become mandatory to prepare local tax records in electronic form.
5. The deadline for preparing local tax documentation has been extended to 10 months after the end of the tax year.
6. The deadline for the taxpayer to submit local transfer pricing documentation at the request of the tax authority has been extended to 14 days.
7. The method of determining the value of a controlled transaction in the case of a deposit agreement and transactions involving the formation of an unincorporated partnership has been regulated.
8. Exemptions from the obligation to prepare local transfer pricing documentation have been introduced (if additional conditions specified in the Act are met):
 - transactions between foreign establishments located in Poland, whose parent entities are related entities, as well as between a foreign establishment located in Poland of a related entity that is a non-resident and its related entity that has tax residency in Poland;
 - controlled transactions covered by tax treaty and investment treaty;
 - controlled transactions covered by safe harbour mechanism;
 - transactions concerning settlements within the scope of so called pure re-invoicing.
9. Exemption from the obligation to present comparative analysis or conformity analysis (benchmarking) in tax documentation for controlled transactions concluded by related entities which are micro or small enterprises and for transactions other than

those concluded with so-called tax havens has been introduced.

10. The necessity to submit the statement on preparation of transfer pricing documentation as a separate document has been eliminated and it has been moved, in the amended content, to the transfer pricing information.
11. The deadline for filing transfer pricing reports (TPRs) has been extended to the end of the 11th month after the end of the tax year.
12. The signing of transfer pricing information has been amended Transfer pricing information will be able to be signed by:
 - a natural person in case of an affiliated entity being a natural person,
 - a person authorised by the foreign entrepreneur to represent him in the branch in the case of an affiliated entity being a foreign entrepreneur with a branch operating in the territory of the Republic of Poland,
 - a manager of the entity, and if the entity is managed by a multi-person authority a designated person from this authority,
 - a plenipotentiary being an advocate, legal adviser, tax adviser or certified auditor.

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CHANGES IN THE SCOPE OF POLISH LUMP SUM TAX ON REGISTERED INCOME

CHANGES IN THE DEFINITION OF "LIBERAL PROFESSION"

Certain professions have been removed from the definition of the liberal profession, i.e. doctors, dentists, veterinary surgeons, dental technicians, feldsher surgeons, midwives, nurses, psychologists, physiotherapists and teachers. These positions will no longer be identified as liberal professions and as a result the flat rate from registered income will change for them.

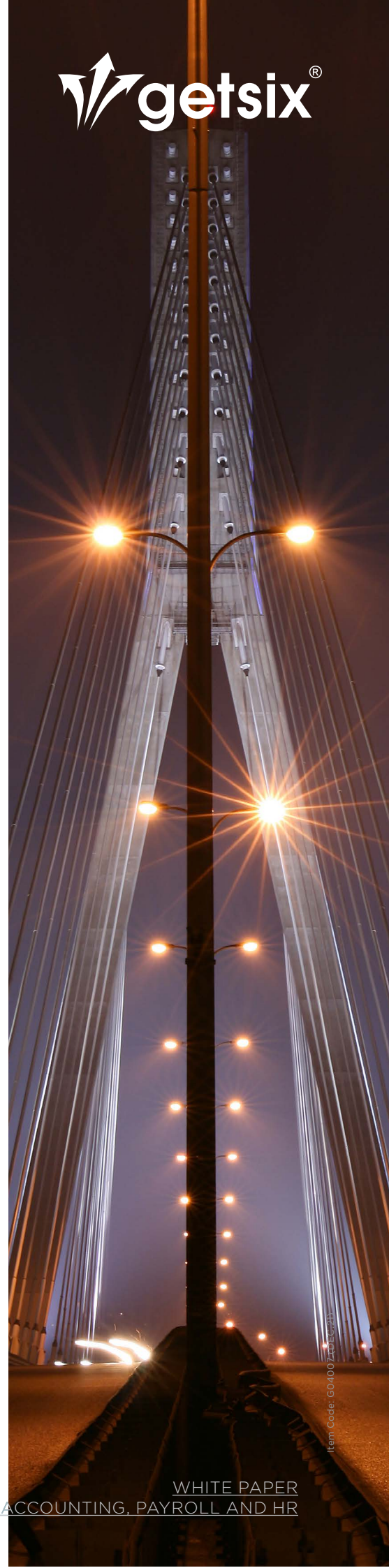
CHANGE IN FLAT RATES

A tax rate of **14%** has been introduced for taxpayers earning revenue from the provision of healthcare services, architectural and engineering services; technical testing and analysis services and specialist design services.

The tax rate of **12%** has been introduced for revenue related to publishing of computer game packages (excluding on-line publishing of computer games), system and utility software packages and computer software downloaded from the Internet (excluding on-line downloading of software).

The same flat rate will apply to hardware consultancy services, software-related services covered by the grouping "Computer software originals", software consultancy services, software installation services and network and information systems management services.

All education services (including services where teachers give their individual lessons) are to be taxed with the unified flat rate of **8.5%**.



OBLIGATION TO TAX PRIVATE LEASE WITH A LUMP SUM TAX ON REGISTERED INCOME

A new regulation has been introduced, which obliges natural persons who receive income from lease, sublease, tenancy, subtenancy and other contracts of similar nature, to tax such income in the form of a lump sum on registered income. Thus, the possibility of taxing this type of income in accordance with general rules, as defined in the Personal Income Tax Act, has been eliminated.

Taxpayers who earn income from private lease in 2022 may still this year apply the taxation principles valid as at 31 December 2021, i.e. they have the option to tax the lease also in accordance with general principles.

CHANGES TO THE TAX CARD

As of January 2022, the possibility of taxation in the form of a tax card will apply only to persons who, as of 31 December 2021, were taxed with a tax card and intend to continue using this form of taxation. A person who, for any reason, ceases to be taxed with a tax card or loses the conditions for being taxed with a tax card will not be able to return to this form of taxation. The possibility of choosing the tax card for taxpayers who have not previously been taxed in this form has been completely eliminated.

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CHANGES IN THE SCOPE OF THE POLISH VALUE ADDED TAX (VAT)

INTRODUCTION OF THE POSSIBILITY TO CREATE A VAT GROUP

A group of financially, economically and organizationally related entities that enter into an agreement to form a VAT Group will be able to become a VAT taxpayer.

All three types of relationships must be present during the entire period of existence of the VAT Group.

The basic regulation for the operation of the VAT Group is that the supply of goods and services by the members of the Group are not taxable transactions. This means complete tax neutrality within the VAT Group.

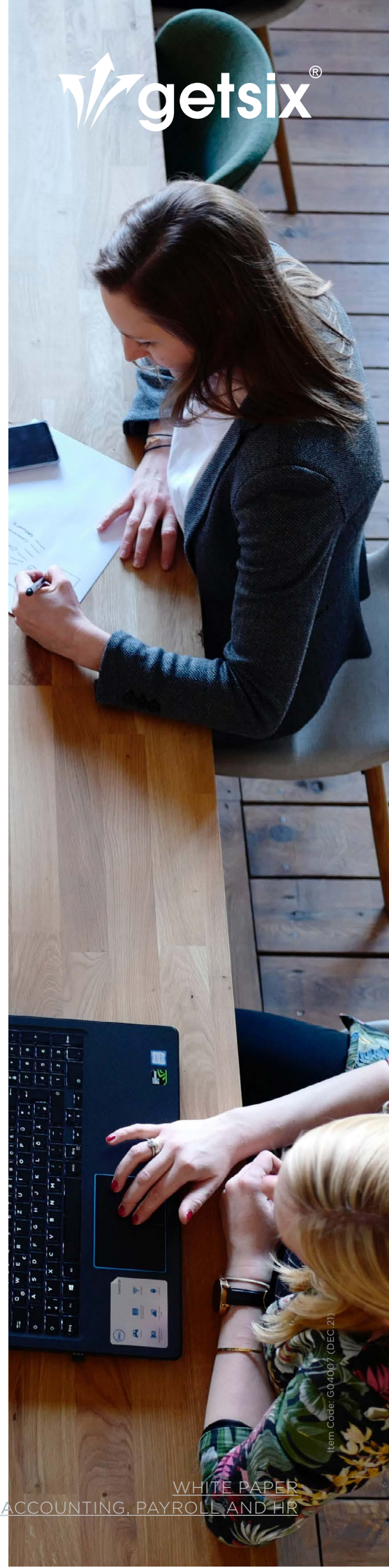
The VAT group rules are scheduled to take into force from July 1, 2022.

OPTIONAL RESIGNATION FROM VAT EXEMPTION FOR FINANCIAL SERVICES

Effective January 1, 2022, a taxpayer may waive the exemption for services referred to in Article 43(1)(7), (12) and (38) to (41) of the Polish Value Added Tax Act of March 11, 2004 - which are provided to taxpayers and allow them to choose to be taxed under the following conditions:

- is registered as an active taxpayer of VAT;
- he submits to the head of tax office a written notice on the choice of taxation of these services before the beginning of the settlement period from which he resigns from exemption.

The taxpayer who provides exempted services has no right to deduct input VAT on the purchase of goods and



services used to provide these services. Therefore, resignation from the exemption will allow the input tax to be deducted on purchases.

The taxpayer may, not earlier than after 2 years, counting from the beginning of the settlement period from which he has chosen to tax the services, again use the exemption from taxation of these services, provided that he submits to the head of tax office a written notice of resignation from taxation, before the beginning of the settlement period from which he will again use the exemption.

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CHANGES IN THE POLISH ACT ON HEALTH CARE SERVICES FINANCED FROM PUBLIC FUNDS

CHANGE IN THE METHOD OF DETERMINING THE BASIS FOR CALCULATING HEALTH INSURANCE CONTRIBUTIONS FOR ENTREPRENEURS PAYING INCOME TAX ACCORDING TO THE GENERAL RULES AND THOSE SUBJECT TO FLAT TAX

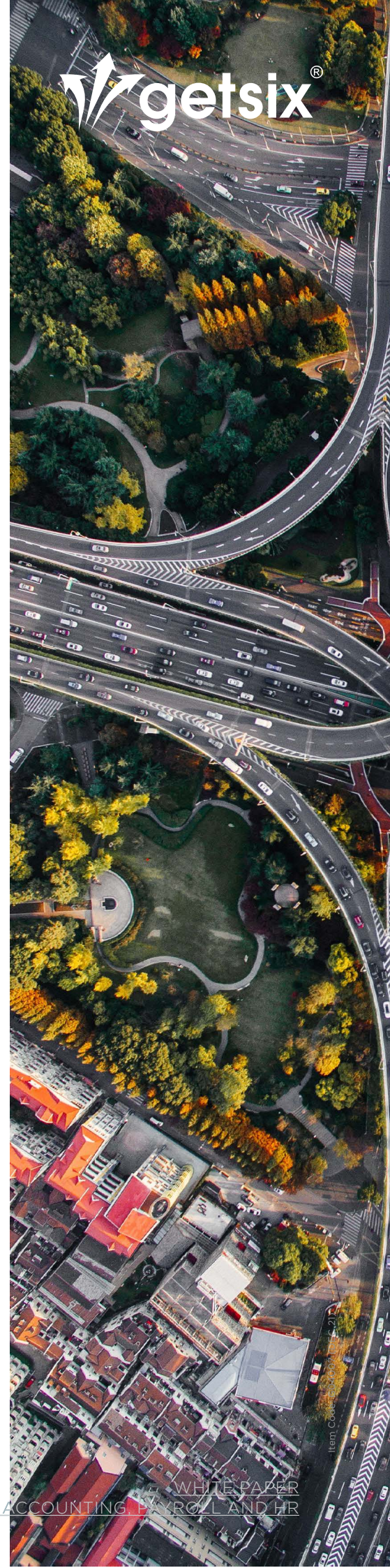
After the changes, the basis for calculation of health insurance contributions for self-employed persons paying income tax according to the general rules and those subject to flat tax, will be the income from business activity, reduced by the amount of contributions paid for pension, disability, sickness and accident insurance, if they were not included in the tax deductible expenses.

If the basis for the assessment of the health insurance contribution, determined in the manner described above, is lower than the amount of the minimum wage, the basis for the assessment of the health insurance contribution is the amount of the minimum wage.

CHANGE IN THE MANNER OF DETERMINING THE BASIS FOR THE HEALTH INSURANCE CONTRIBUTION FOR ENTREPRENEURS PAYING INCOME TAX IN THE FORM OF A LUMP SUM ON REGISTERED INCOME

In the case of taxpayers covered by the lump-sum tax on registered income, the basis for calculating the health insurance contributions depends on the amount of their revenue.

For taxpayers whose revenues earned since the beginning of the calendar year does not exceed **PLN 60,000**, the basis for calculating health insurance contributions is an



amount equivalent to **60%** of the average monthly salary in the enterprise sector in the fourth quarter of the previous year.

For taxpayers whose revenues earned since the beginning of the calendar year exceeded the amount of **PLN 60,000** and did not exceed the amount of **PLN 300,000**, the basis for calculating the health insurance contributions is the amount of the average monthly salary in the enterprise sector in the fourth quarter of the previous year.

For taxpayers whose revenues earned since the beginning of the calendar year exceeded the amount of **PLN 300,000**, the basis for calculating health insurance premiums is **180%** of the average monthly salary in the enterprise sector in the fourth quarter of the previous year.

Revenues are reduced by the amounts of contributions paid for pension, disability, sickness and accident insurance, if they were not deducted as tax-deductible expenses or deducted from income.

CHANGE IN THE MANNER OF DETERMINING THE BASIS FOR ASSESSMENT OF HEALTH INSURANCE CONTRIBUTIONS FOR ENTREPRENEURS PAYING INCOME TAX IN THE FORM OF TAX CARD

The basis for the calculation of health insurance contributions for self-employed persons conducting non-agricultural business activity, who apply taxation in the form of tax card, is the amount of the minimum wage in force on January 1 of the given year.

CHANGE IN HEALTH INSURANCE CONTRIBUTIONS FOR BUSINESSES TAXED ON A FLAT TAX

The health insurance contribution for self-employed taxpayers conducting non-agricultural business activity is **4.9%** of the contribution assessment basis, but no less than the amount corresponding to **9%** of the minimum wage applicable on January 1 of the contribution year.

COVERAGE BY OBLIGATION TO PAY HEALTH CONTRIBUTIONS OF THOSE PERSONS WHO HAVE BEEN APPOINTED TO THEIR FUNCTION HELD BY A RESOLUTION OF THEIR LEGAL BODIES, I.E. SHAREHOLDERS, AND WHO BY THIS ENTITLEMENT RECEIVE A SALARY

As of January 1, 2022, the obligation to pay health contributions will apply to persons appointed to perform a function by an act of appointment, who receive a salary for this

(e.g. members of management boards in companies), who until now did not have to pay health contributions from this emoluments.

The basis for the calculation of the health insurance contributions for these individuals will be the amount equivalent to the salary received for the appointment.

ACCOUNTING & TAX ADVISORY FOR YOU!

If you have any questions regarding accounting, taxation, or other aspects of tax law in Poland, please contact our team of advisors.

Contact »

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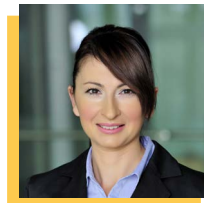


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