

POLAND

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0- SYNOPTIC TABLE: TAXATION OF RESIDENTS AND NON-RESIDENTS

	RESIDENTS	NON-RESIDENTS
CORPORATE INCOME TAX	19% - 9%	
TAX ON CAPITAL GAINS	Taxed as ordinary income	
WITHHOLDING TAXES		
Dividends	19%	
Interest	20%	
Royalties	20%	
PERSONAL INCOME TAX	19% flat rate or progressive tax rates	
OTHER TAXES		
Stamp duty	Different rates according to the activity	
Social security contributions	Different rates according to the type of contribution	
Tax on gambling	10% on the winnings	
Tax on motor vehicles	Applied by each council according to the weight and purpose of the vehicle	
VAT	23%, 8%, 5%, 0%	
LOSSES		
Carried forward	5 years	
Carried back	Not applied	
DERECIATION		
Fixed assets	Buildings: 1.5% - 2.5 % Plants and machinery: 7% - 20%	
Intangible assets	R&D: 1 year Goodwill: 5 years	

1- AN OUTLINE OF COMPANY LAW

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
Limited liability company (SP Z OO)	The minimum share capital of a limited liability company is PLN5,000. One share must have a par value of at least PLN50. A single natural or legal person may establish a limited liability company.		
Joint stock company (SA)	The minimum share capital requirement for a joint stock company is PLN100,000. One share must have a par value of at least PLN0.01. 25% of capital should be paid up at the time of the company's registration. One or more founding shareholders may establish a joint stock company. A joint stock company may be a private or public company.	The following are required for a public offering: transformation into joint stock company (if needed); a general assembly resolution; preparation of a prospectus and its approval by the Financial Supervisory Commission; registration of shares in the National Depository for Securities; admission to shares to exchange trading.	The executives of a joint stock company must form a supervisory board.
Simplified joint stock company (PSA)	A simplified joint stock company may be established by one or more persons. The sole founding member cannot be a limited liability company with one shareholder. The minimum share capital requirement is PLN1. A simplified joint stock company cannot list its shares on the stock exchange.		Simplified joint stock companies are managed by a management board (with one or more members) or by a board of directors (with one or more directors). A supervisory board (with 3 or more members) is optional.
Registered partnership (SP)	It has no legal identity separate from its owners and is not a separate legal entity. It does, however, act on its own behalf and have its own assets and debts. All partners have joint and several liability for the obligations of a registered partnership and are responsible for its management.	.	A registered partnership is generally transparent for income tax purposes. Each partner is subject to tax on their share of taxable income. A partner's share of taxable income is proportionate to their share in the profits and losses in the registered partnership.
Limited partnership (SP K)	They are not legal entities separate from their owners, but they may act on their own behalf. They have at least one partner with limited liability (limited partner) who is free of any liability above the amount of its contribution to the partnership and at least one partner with unlimited liability (general partner). There is no specified minimum capital requirement for a limited partnership.	From 1 January 2021, limited partnerships are taxed as corporations. Income distributed as dividends to partners is then taxable on the partners as personal income (although corporate partners with a holding of 10% or more receive dividends tax-free under the affiliation privilege).	

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Limited joint stock partnership (SKA)</i>	Limited joint stock partnerships are similar in structure to limited partnerships, but with a minimum capital requirement of PLN50,000.	They are taxed as corporations. Income distributed as dividends to partners is then taxable on the partners as personal income (although corporate partners with a holding of 10% or more receive dividends tax-free under the affiliation privilege)	
<i>Branches</i>	Foreign companies may establish branch offices to conduct business in Poland. A branch has no separate legal identity.		Only profits generated on Polish territory are subject to taxation in Poland. If a branch constitutes a permanent establishment (PE) of a non-resident business, only the Polish source income of the branch is subject to taxation in Poland.
<i>Representative offices</i>	It is similar to a branch in that it has no separate legal identity and it may only engage in advertising and promotional activities.		It must register with the Ministry of the Economy in the Foreign Representative Offices Register
<i>Sole proprietorships</i>	A sole proprietor is an individual (natural person) who owns and operates a business. It is generally used for small business operations	A sole proprietorship structure involves the least number of formalities and minimal start-up costs,	

2- WHEN POLISH COMPANIES CAN BE CONSIDERED RESIDENT OR NON-RESIDENT?

A company is considered resident when it is incorporated or has its management office in Poland. Non-resident companies are generally subject to Polish source income tax only. In the presence of a bilateral tax agreement, only the profits of a PE are subject to tax in Poland.

3- BUSINESS AND NON-BUSINESS ACTIVITIES (ADMINISTRATIVE OFFICES, LIAISON OFFICES, PURCHASING OFFICES, ETC.)

A foreign company's representative office in Poland has no separate legal identity and represents a separate, organisationally independent activity of the foreign company, but it may only engage in advertising and promotional activities.

In general, a representative office of a foreign company located in Poland is not subject to taxation on business profits derived in Poland due to the limited scope of its activities.

4- WHICH FOREIGN LOCAL UNITS CAN BE OPENED IN POLAND: SECONDARY ESTABLISHMENTS, BRANCHES, SUBSIDIARIES OR PERMANENT ESTABLISHMENTS?

Foreign companies may establish branch offices to conduct business in Poland. A branch is a separate, organisationally independent business activity that a foreign company conducts outside of its registered office or main place of business. A branch must conduct activities within the scope of the business operations of the whole company and has no separate legal identity.

For non-resident businesses, only profits generated on Polish territory are subject to taxation in Poland. If a branch constitutes a permanent establishment (PE) of a non-resident business, only the Polish source income of the branch is subject to taxation in Poland.

Polish tax provisions do not provide any specific rules for calculating the profit of a corporation's branch. A Polish branch's taxable trading profits and capital gains are calculated on the same basis as that of a Polish resident company. The branch's income is subject to corporate income tax at the same rates as Polish resident companies.

When determining the taxable base of a branch, a taxpayer may deduct certain direct costs attributable to the operation of the branch and a reasonable apportionment of general operating overheads.

A PE is a fixed place of business situated in Poland through which a foreign entity conducts its business or provides services, by means of a branch, office, agency, factory, workshop, mine, building site, or a person who is authorised to conclude agreements and conduct its business on behalf of the foreign entity. Tax treaties may modify the abovementioned definition and exclude some forms of business activities.

5- CALCULATING TAXABLE INCOME

Poland imposes income tax on any profits related to the business activity of a company, irrespective of the revenue source from which the income is derived.

Only expenses incurred for the purpose of generating revenues or preserving the source of income of a taxpayer are tax deductible.

To be tax deductible, expenses must be directly related to particular revenue derived from the company's business activity and to the whole activity of the company. The main categories of non-tax deductible costs are as follows:

- costs related to revenue out of the scope of corporate income tax or exempt from taxation
- depreciation write-offs related to goodwill
- depreciation write-offs related to know-how contributed in-kind
- depreciation write-offs and insurance premiums paid on passenger cars exceeding PLN225,000 per car for electric cars, and PLN150,000 for other cars
- accruals for expenses made for accounting purposes
- fines and penalties imposed as a result of criminal proceedings,
- entertainment costs
- expenses (other than remuneration) in relation to members of supervisory boards, review commissions or other constitutive authorities of corporate entities
- donations
- losses of advance payments made for contracts not carried out.

The following are deductible:

- donations for specific purposes which are specified in separate regulations (eg social services, charitable activity, health protection and promotion, etc)
- donations to certain categories of entities (both foreign and domestic) including public benefit and volunteer organisations, associations, foundations, etc. Such donations must be documented.

The following items are not taxable revenue and must be deducted from taxable income:

- redemption of shares without any consideration for the shareholder
- the value of assets received due to the liquidation of a company to the extent attributable to the acquisition cost of those assets
- amounts received by a company for the purposes of creation or increase of the share capital
- return of expenses that were not treated as tax deductible costs
- income derived from Special Economic Zones (SEZ)
- contributions made by a public entity to a private contractor within the framework of a public private partnership project
- revenue earned by investment and pension funds

6- TREATMENT OF LOSSES

In general, trading losses may offset all trading income earned in the same taxable period. Capital losses are treated as separate from ordinary profits and may not be offset against other taxes.

In circumstances where a taxpayer cannot utilise tax losses in the current year, the taxpayer may carry forward those losses to offset against future profits over 5 consecutive years, subject to a maximum deduction of 50% of each loss per tax year, or carry forward those losses to offset against future profits in one of the next 5 consecutive years, subject to a maximum deduction of PLN5 million in that year.

Losses cannot generally be carried back. However, taxpayers directly affected by the coronavirus (COVID-19) pandemic may carry back up to PLN5 million of losses to the immediately preceding tax year if the following conditions were met: the taxpayer sustained a loss in the tax year beginning before 1 January 2020 and ending after 31 December 2019, or in the tax year beginning after 31 December 2019 and ending before 1 January 2021, and income in the relevant tax year was at least 50% lower than income in the immediately preceding tax year.

There are no restrictions on the carry forward of losses where there is a change in the ownership of a company.

If the legal form of a company changes as a result of transformation, merger, take over or demerger, the losses carried forward of the company transferred, merged, taken over or demerged may not be used by a new company after the restructure. An exception exists in cases where a legal entity changes its legal form into another legal entity

7- IS INTEREST DEDUCTIBLE?

For Polish tax purposes, taxpayers may generally deduct interest when it is paid. Only expenses related to the generation of taxable income are tax deductible. Accordingly, a taxpayer cannot deduct interest on loans incurred for purposes not connected with the taxpayer's business activities or connected with a business activity that is not taxed.

The deductibility of debt financing costs in excess of interest income is limited to 30% of earnings before interest, taxes, depreciation and amortisation (EBITDA).

In certain circumstances, interest paid between a parent and its subsidiary is tax exempt. In order to benefit from this relief, the following conditions must be fulfilled:

- payment is made by a Polish company or a permanent establishment (PE) of a foreign entity located in Poland (if such interest is attributed to the activities of the PE)
- the recipient of the interest is a resident of a foreign EU country or its PE is located there
- at least one of the abovementioned entities possesses a share of at least 25% in the capital of the other, or a third entity is a shareholder of both and possesses a share of at least 25% in their capital.

These shareholding levels must be maintained for an uninterrupted period of at least 2 years.

8- IS DEPRECIATION DEDUCTIBILITY ACKNOWLEDGED?

Polish tax law provides for the depreciation of fixed assets using the straight line method according to maximum depreciation rates specified in the list of depreciation rates. Different rates apply depending on the category of assets.

The declining balance method is applied to machinery, equipment, and means of transportation except for passenger vehicles. This method generally uses double depreciation rates. It uses tripled rates for fixed assets used in regions threatened by high structural unemployment.

Taxpayers may depreciate the following intangible assets with an expected useful life of more than one year, which are acquired and fit for commercial use from the date they are put into use:

- the cooperative ownership right to an apartment, commercial premise or single family house in a housing cooperative
- copyright and related proprietary rights
- licences
- rights to inventories, patents, trademarks, and designs, and

- industrial ownership rights with an expected useful life of more than one year, used by the taxpayer for purposes linked with the taxpayer's commercial activities and handed over for use under a licensing (sublicensing), rent or lease agreement.

Additionally, a taxpayer may depreciate the following intangible assets regardless of their expected useful life:

- goodwill that arose as a result of the purchase, receipt for use for consideration or a contribution in-kind of an enterprise or a business unit thereof (eg branch)
- costs of development work, and
- the aforementioned assets if they are used by a taxpayer on the basis of a financial lease.

Depreciation of these intangible assets is a tax deductible cost.

Maximum depreciation rates are as follows:

<i>Type of asset</i>	<i>Yearly depreciation rate</i>
Residential buildings	1.5%
Commercial buildings	2.5%
Office equipment	20%
Computers	30%
Motor vehicles	20%
Machinery	From 7% to 20%

Taxpayers may apply accelerated depreciation for second-hand assets or improved assets put into use for the first time by a given company, for example passenger cars (30 months) or machinery and equipment (from 24 to 60 months).

Intangible assets are depreciated as follows:

- one year for costs of research and development works completed with positive results
- 2 years for licences and copyrights, and
- 5 years for other intangibles including goodwill.

9- WHAT TAX TREATMENT IS APPLIED TO RESIDENT COMPANIES?

The following entities are subject to corporate income tax:

- legal entities
- partners that are legal entities, and
- tax capital groups.

Entities with no legal personality (eg partnerships) that have a headquarters or place of management in another country are subject to corporate income tax in Poland if:

- those entities are treated as legal entities pursuant to the tax regulations of that country, and
- they are subject to taxation on all income in that country.

The income and capital gains of companies are subject to corporate income tax at a standard flat rate of 19% for 2023. This standard rate has remained unchanged since before 2006. A reduced corporate income tax rate of 9% applies to taxpayers whose total sales revenue in the preceding fiscal year did not exceed the PLN equivalent of €2 million and taxpayers in their first year of businesses.

These rates apply to resident companies with unlimited tax liability as well as to non-resident companies subject to limited tax liability on their Polish source income derived from a permanent establishment (PE).

Corporate income tax is generally imposed on income, irrespective of the source of revenue from which the income has been earned. Corporate income tax does not apply to revenue from agricultural activities, forest activities and ship owners.

From 1 January 2021, a distribution tax regime applies under which qualifying companies are subject to tax on the distribution of profits rather than the standard corporate income tax. The distribution tax rate is 10% for small companies and 20% for other. Qualifying criteria include:

- less than 50% of income made up of passive income and income from related parties with no economic added value, and
- at least 3 full-time employees.

Income subject to distribution tax includes: income from distributed profits, income from non-business-related expenses, and income from hidden profits distributions.

From January 2024, a minimum tax applies to residents and to permanent establishments in Poland of non-residents. Minimum tax at the rate of 10% applies if the taxpayer incurs a loss in relation to income, or does not meet a 2% ratio of net income to total gross income. The tax base consists of:

- 1.5% of gross income (excluding capital income)
- debt financing costs that exceed 30% of EBITDA (earnings before interest, taxes, depreciation and amortisation)
- the cost of certain assets and services received from related parties.

Alternatively, taxpayers are able to use a simplified tax base consisting of 3% of gross income (excluding capital income).

Certain entities are exempt, including financial institutions and companies in their first 3 years of operations.

Certain items of income are subject to a reduced or special tax rate. These items and their applicable rates are as follows:

- royalties and interest paid to non-residents are taxed at a rate of 20%
- income received by non-residents (performers, sportspeople, organisers of events, etc) from charges in relation to performances, entertainment or sports conducted in Poland is taxed at a rate of 20%
- income received by non-residents from the performance of consulting, accounting, market research, legal, advertising, management and control, data processing, staff recruitment, guarantee and warranty and similar services is taxed at a rate of 20%
- dividends (and other income related to profit participation) are taxed at a rate of 19%, and
- ownership of commercial and service properties or office buildings with an aggregate value exceeding PLN10 million is subject to a minimum tax at a rate of 0.035% per month, which is imposed on the excess value over PLN10 million.

10- ARE GROUP COMPANIES CONSIDERED SINGLE COMPANIES FOR FISCAL PURPOSES?

Generally, the members of a tax group are a single taxable person for corporate income tax purposes. Only one of the tax group members (the representative company) submits corporate income tax returns and pays tax. Only limited liability companies and joint stock companies with their registered seats in Poland may form a tax group. In order to form a tax group, the representative company and other group members must conclude an agreement in the form of a notary deed covering a period no shorter than 3 years. In order to form a tax group, the following conditions must be met:

- all members must have their registered seats in Poland
- the parent company must directly hold at least 75% of the share capital of the subsidiaries
- a written application to form a tax group must be signed before the public notary and filed with the competent tax office
- all companies cannot have any tax arrears
- average share capital of each company may not be lower than PLN250,000.

Companies forming the group may not benefit from corporate income tax exemptions, and each of the members of a tax group is a separate taxpayer for VAT purposes.

From 1 January 2023, optional VAT grouping is available in Poland. Polish resident taxpayers and/or branches that are financially, economically and organisationally related may create a VAT group.

Taxpayers are considered to be financially related if one of the taxpayers in the group holds directly more than 50% of the share capital, or more than 50% of the voting rights in the controlling, administrative or managing bodies, or more than 50% of the right to profit, of each of the other members of the group.

Polish tax regulations allow the early termination of a group taxation agreement. In the event that a group breaches any of the requirements for group taxation, the group loses its tax status.

11- WHAT TAX TREATMENT IS APPLIED TO FOREIGN LOCAL UNITS AND NON-RESIDENT COMPANIES?

Non-resident corporations are subject to the Polish corporate income tax only on trading or business profits generated in Poland. If a relevant tax treaty is in force, non-resident corporations are subject to corporate income tax only on the profits generated by a permanent establishment (PE) in Poland.

However, as an exception to this rule, Poland may levy withholding tax on certain revenue of non-residents received from Polish residents: this applies to interest (20%), royalties (20%) and dividends (19%).

Additionally, transactions concerning real estate (including transactions concerning the shares of a company owning real estate in Poland) may be subject to taxation in Poland.

12- ARE CAPITAL GAINS TAXED?

Corporations are required to separate all capital gains from their ordinary profits and pay corporate income tax on the total at the rate of 19% or 9%. The tax basis for capital gains is net profit.

From 1st January 2018, capital gains and losses may not be offset against other taxes.

3- WHAT TAX TREATMENT IS APPLIED IN CASE OF COMPANY LIQUIDATION?

Polish law does not restrict the transfer of assets as a result of liquidation. A taxpayer may conduct such a transfer through either a cash transfer, preceded by a disposal of the assets of the liquidated company or a direct transfer of the assets without a sale.

The value of property received by a shareholder in connection with the liquidation of a Polish legal entity constitutes a shareholding profit. The taxable base is income equal to the value of the assets received as a result of the liquidation of the company in excess of the costs of the acquisition, or of taking up the shares in this company.

Cash and other non-cash assets received by a shareholder on liquidation of an informal partnership (not civil or registered) are not considered shareholding profit. Only the proceeds from the disposal of such non-cash assets are considered shareholding profit.

The income from the distribution of property on the liquidation of a legal entity is subject to 19% withholding tax. Under certain conditions, a tax exemption may apply.

14- TRANSFER OR REPURCHASE OF SHARES: HOW ARE THEY TAXED?

Poland generally allows a reduction of share capital up to a minimum level of capital. A taxpayer may reduce share capital in a number of ways: reduction of the nominal value of shares, redemption of shares, aggregation of shares and demerger.

A Polish company may not repurchase its own shares, but, only in some specific cases, it may acquire its own shares for the purpose of redemption and acquisition, or subscription for the shares.

15- WHAT OTHER TAXES ARE APPLIED IN POLAND?

VAT

Value added tax (VAT) was introduced in Poland on 8 January 1993.

The standard rate of VAT is 23%, but reduced rates are applied: 8% (medical supplies, fertilisers, animal food and fodder, agricultural services, certain forestry services and passenger taxi services), 5% (certain food, books, specialised magazines and certain fishery products) and 0% (the export of goods, the intra-community supply of goods and services necessary for the transportation of freight in ports).

Tax on civil law transactions

It is imposed on taxpayers conducting certain transactions and the rates vary from 0.5% to 2% of the market value of the transaction.

Loans granted to a corporation by its shareholders are exempt.

Generally, if a particular transaction is subject to VAT or a VAT exemption, the taxpayer does not have to also pay this tax. This rule does not apply to the conclusion or alteration of a company's articles of association. Furthermore, the sale or change of ownership of real estate

and the sale of shares in a legal person's capital are subject to the tax, even if a VAT exemption applies.

Stamp duty

Stamp duty is a fee charged on the following administrative activities: granting permissions (permits, concessions, etc), issuing certifications and official acts performed on request of the party concerned.

Real estate tax

Local municipalities collect real estate tax on land, buildings and their parts, and structures or their parts related to conducting business activities. The amount of tax due depends on usable floor space in the case of buildings, and the area of the land in the case of land, and the initial value of constructions.

The tax rates vary depending on the location of the real estate, type of business activity conducted, destination and manner of land utilisation, as well as the type of real estate.

Tonnage tax

Tonnage tax (19%) applies to certain income derived by shipowners who use merchant ships in international maritime navigation and is computed on the ship's carrying capacity. The income subject to tonnage tax is not subject to corporate income tax.

The income derived by shipowners from the sale of ships is taxed at a flat rate of 15%.

Social security contributions

Both employers and employees must make social security contributions depending on the type of contribution. The employee's portion is withheld by the employer and remitted to the social security authorities together with the employer's portion.

The current rates differ depending on the type of the contribution.

<i>Type of contribution</i>	<i>Rate</i>	<i>Paid by</i>
Retirement pension	19.52%	9.76% employer/9.76% employee
Disability pension	8%	6.5% employer/1.5% employee
Sickness	2.45%	Employee
Accident	0.40%-8.12%	Employer
Labour Fund	2.45%	Employer
Guaranteed Employee Benefits Fund	0.1%	Employer
Health	9%	Employee

Tax on gambling

Poland imposes a 10% tax on gambling winnings received in the countries of the EU or the EEA. Non-residents from countries that have tax treaties with Poland may exercise the right to a tax exemption in Poland because gambling winnings should be classified under the treaty as other income which is subject to taxation in the country of residence.

Excise duty on consumer goods

Excise duty is levied under the Excise Duty Act (introduced on 1 March 2009). According to its provisions, Poland levies excise duty on:

- production of excise goods
- movement of excise goods from/into a bonded warehouse
- the sale of excise goods in Poland
- exports and imports of excise goods, and
- intra-community supplies and intra-community acquisitions of excise goods.

Excise goods include the following, among others:

- power products
- engine fuels
- bio-components of fuels
- heating oils
- heating gas
- electric energy
- alcoholic beverages
- tobacco products.

Also passenger cars are subject to excise tax.

Motor vehicles tax

A tax on the means of transport applies to trucks, buses, truck-tractors, trailers and semitrailers according to their weight and purpose. The tax rate is determined individually by each commune council and it varies depending on the type of vehicle and its capacity.

Maximum rates are as follows:

<i>Type of vehicle</i>	<i>Payload (ton)</i>	<i>Tax per year (PLN)</i>
Trucks	3.5 – 5.5	1,173.19
	5.5 – 9	1,957.12
	Over 9	2,348.52
Truck-trailers	Up to 36	2,739.90
	Over 36	3,463.95

Mineral extraction tax

Poland levies a tax on copper and silver extraction. The tax is calculated using the average monthly price of copper and silver and must be paid by the 25th day of the month following the month of extraction.

For copper, the maximum tax rate is PLN15,000 per tonne and for silver it is PLN2,100 per kilogram.

Financial institutions tax

An annual tax (annual rate of 0.44%) is imposed on the exceeding assets of banks and other financial institutions.

Retail sales tax

From 1 January 2021, a tax applies on retailers when their monthly turnover from retail sales exceeds PLN17 million. The tax rate varies from 0.8% and 1.4%, according to the turnover. Certain sales are excluded from the tax, including supplies of gas and electricity, and goods sold as part of catering services.

16- DIVIDENDS, INTEREST AND ROYALTIES: HOW ARE THEY CONSIDERED AND TAXED?

Dividends

Polish withholding tax at the rate of 19% applies to dividends paid to domestic entities, unless the Polish parent company benefits from an exemption under the affiliation privilege.

In Poland, if dividends are paid to foreign entities and are not subject to the limited foreign shareholder affiliation privilege exemption, a statutory withholding tax rate of 19%, unless a relevant tax treaty may provide for a lower withholding tax rate, which can apply only if the entity receiving the dividends has a certificate of residence.

Dividends and other income derived by certain foreign entities from a shareholding in a Polish company are tax exempt in Poland under the foreign shareholder affiliation privilege.

Dividends paid by a foreign company out of Polish profits are not subject to withholding tax in Poland.

Interest

The withholding tax rate on interest paid by a Polish company to a non-resident is 20%, unless a relevant tax treaty concluded between Poland and the country of recipient's residence provides for a lower rate or a tax exemption.

In certain circumstances, interest paid between a parent and its subsidiary is tax exempt. In order to benefit from this relief, certain conditions must be fulfilled.

Royalties

Poland imposes a 20% withholding tax at source on revenue derived by a non-resident from interest, copyrights, royalties, trademarks, design patterns, leasing/tenancy and know-how.

If the beneficiary company is an EU resident, such income may be tax exempt.

17- HOW ARE CALCULATED STOCKS OR INVENTORIES?

Working assets (stock-in-trade) are valued for accounting purposes on the basis of purchase prices or manufacturing costs, provided that these values are not higher than the net sales price.

The following valuation methods may apply: FIFO, LIFO, the weighted average principle, or the method of detailed identification of actual prices.

There are no specific inventory deductions for inflation.

18- HOW ARE RESIDENT INDIVIDUALS TAXED?

For resident and non-resident individuals, the following progressive tax rates apply for 2024:

<i>Income PLN</i>	<i>Tax rate %</i>
Up to 120,000	12% minus the tax reduction amount of PLN 3,600
Over 120,000	PLN 10,800 + 32% of the surplus over PLN 120,000

From 1 August 2019, employment and work income received by individuals aged under 26 is tax exempt on the amount up to PLN85,528.

A natural person who is the sole proprietor of a sole proprietorship or a partner in a registered partnership is allowed to choose between taxation at a flat rate of 19% and taxation at the progressive personal income tax rates.

19- HOW ARE FOREIGN INDIVIDUALS TAXED? WHEN ARE THEY CONSIDERED RESIDENT?

For resident and non-resident individuals, the following progressive tax rates apply for 2023:

<i>Income PLN</i>	<i>Tax rate %</i>
Up to 120,000	12% minus the tax reduction amount of PLN 3,600
Over 120,000	PLN 10,800 + 32% of the surplus over PLN 120,000

From 1 August 2019, employment and work income received by individuals aged under 26 is tax exempt on the amount up to PLN85,528.

A natural person who is the sole proprietor of a sole proprietorship or a partner in a registered partnership is allowed to choose between taxation at a flat rate of 19% and taxation at the progressive personal income tax rates.

20- TERMS FOR TAX PAYMENTS: THE FISCAL YEAR IN POLAND

The tax year for all taxpayers in Poland is generally the calendar year. A company, however, may choose another 12-month period as its tax year. If a taxpayer chooses an alternative tax year, its tax return is based on the alternative tax year. A company's accounting year is the same as its tax year.

Taxpayers must file yearly corporate tax returns by the end of the third month of the following tax year. The filing due date may be extended by the tax authorities only in exceptional circumstances. Taxpayers may also file electronic returns, but they must first inform the tax office of their intent to do so.

The default interest on late payments of Polish tax is charged at 200% of the prevailing National Bank Lombard interest rate plus 2%, although the final interest rate cannot be less than 8%.

21- WHAT TAX INSPECTIONS ARE MADE?

Polish tax inspectors may conduct tax audits ex officio to verify whether a taxpayer has complied with their tax obligations. Tax authorities are obliged to notify the taxpayer of the tax audit at least 7 days prior to its intended start.

In the case of a tax audit, on request of the tax authorities, a taxpayer must present all documents that are necessary to or may reflect tax liability (eg books, tax returns, agreements, confirmations of payment, etc). A taxpayer should retain this data for 5 years after the filing of the tax return. Some data (ie on employment) must be retained for longer periods.

A tax audit can cover any period and may concern specific issues (eg only VAT or only corporate

income tax) or all issues.

22- CAN TAXPAYERS AGREE IN ADVANCE THEIR TAX TREATMENT?

Taxpayers apply for advance rulings on an official form issued by the Polish Ministry of Finance. The application must comply with some formal requirements (eg the background presented in the application must not be subject to a tax audit) and may also concern other issues related to business activity, eg social security contributions.

Provisions stipulated in advance rulings are binding for the Polish tax authorities, but do not bind taxpayers.

23- WHAT EXCHANGE CONTROLS ARE CARRIED OUT?

The Polish currency is the Polish Zloti (PLN).

Polish exchange controls apply to transactions with countries outside the EU, the EEA and the OECD, in particular export and dispatch abroad of foreign exchange, gold and platinum or of domestic and foreign currencies in amounts exceeding €10,000.

As a rule, Polish banks can monitor the source of funds of every transfer exceeding €15,000. Finance leases, as well as loans and credit granted by non-residents to a Polish resident totalling PLN3 million or more at the end of a quarter must be reported to the National Bank of Poland. Non-EU residents must seek permission of the Polish Ministry of Interior and Administration to acquire real estate or more than 50% of the shares in a Polish company possessing real estate.

24- WHAT TAX RELIEFS AND INCENTIVES ARE GRANTED BY THE POLISH GOVERNMENT?

New investments and Special Economic Zones (ZES)

From 1 July 2018, companies throughout Poland implementing new investment may apply for a tax exemption (for a minimum period of 10 years and a maximum period of 15 years) in light of quantitative and qualitative criteria, including whether the investment supports the country's medium-term development strategy.

Before this date, only companies set up in Special Economic Zones (SEZs) were able to conduct business activity under preferential conditions.

In order to conduct business activity within an SEZ, a taxpayer must receive special administrative permission, complying with some conditions:

- a planned investment must exceed €100,000
- the intended purpose and value of an investment must fit with the purposes of SEZs
- appropriate conditions for the conduct the intended activity must exist within the SEZ, and
- an intended investment must fall within the scope of the definition of a new investment as specified in the Ordinances on SEZs.

Certain types of economic activity are statutorily banned from SEZs, including gambling activities, the production of alcoholic beverages and the production of explosives.

If an SEZ permit is granted, a taxpayer must conduct business activity in the SEZ for a period of at least 5 years from when the economic activity begins and the income it derives in the SEZ is exempt from corporate income tax liability.

The SEZ exemption is deemed to be regional public aid. The amount of available public aid is dependent in particular on: the location of the SEZ (different levels of aid apply to different SEZs), and the amount of investment expenses.

In addition to the tax exemption, Poland often grants the following incentives to SEZs:

- a fully prepared site for development by the investor at a competitive price
- free assistance in dealing with formalities in connection with the investment, and
- exemption from real estate tax in certain municipalities.

There are 14 SEZs in Poland and they will continue to operate until 31 December 2026.

Research and development (R&D) incentives

R&D centres

On a written request from the taxpayer, Poland's Ministry of Economy may grant the status of

R&D centre to an undertaking. This status grants an entity:

- a real estate tax exemption
- a tax deduction of up to 150% of qualifying costs; qualifying costs include the depreciation of buildings and advisory services directly related to the R&D centre's R&D activities.

To obtain R&D centre status, some conditions must be met.

R&D tax deduction/refund

Companies undertaking R&D activities may benefit from a maximum tax deduction of 100% for all R&D activities.

Any unutilised tax deductions may be carried forward for the following 6 consecutive tax years. A cash refund is available for newly established companies in respect of their R&D costs. The cash refund is available if the company does not obtain enough income in their first year of business activities to fully utilise the R&D tax deductions.

Companies established in Special Economic Zones (see above) are excluded from this incentive.

Innovation box

An innovation box scheme applies in Poland. Under the scheme, income derived from qualifying intellectual property rights is subject to a reduced tax rate of 5%, subject to conditions. Qualifying intellectual property rights include patents, rights from the registration of an industrial design, and proprietary rights to computer software.

25- HAS POLAND SIGNED BILATERAL TAX AGREEMENTS WITH OTHER COUNTRIES? TABLE OF WITHHOLDING TAXES

Poland has concluded tax treaties with a number of countries which specify the withholding tax rates that apply. Non-treaty withholding tax rates apply when they are lower than the rate specified in the treaty.

The following rates of Polish withholding tax apply to non-resident entities:

	<i>Dividends</i> %	<i>Interest</i> %	<i>Royalties</i> %
<i>Non-treaty countries</i>	19	20	20
<i>Treaty countries</i>			
Albania	5/10	10	5
Armenia	10	5	10
Australia	15	10	10
Austria	0/5/15	0/5	5
Azerbaijan	10	0/10	10
Bangladesh	10/15	0/10	10
Belarus	10/15	10	0
Belgium	0/10	0/5	5
Bosnia and Herzegovina	5/15	0/10	10
Bulgaria	0/10	0/10	5
Canada	5/15	0/10	0/10
Chile	5/15	15	5/15
China	10	0/10	7/10
Croatia	5/15	0/10	10
Cyprus	0/5	5	5
Czech Republic	0/5	0/5	0/10
Denmark	0/5/15	0/5	5
Egypt	12	0/12	12
Estonia	0/5/15	0/10	0/10
Ethiopia	10	10	10
Finland	0/5/15	0/5	5
France	0/5/15	0	0/10
Georgia	10	0/8	8
Germany	0/5/15	0/5	5
Greece	0/19	0/10	0/10
Hungary	0/10	0/10	0/10
Iceland	5/15	0/10	10
India	10	0/10	15
Indonesia	10/15	0/10	15
Iran	7	0/10	10
Ireland	0/15	0/10	0/10

Israel	5/10	5	5/10
Italy	0/10	0/10	0/10
Japan	10	0/10	0/10
Jordan	10	0/10	10
Kazakhstan	10/15	0/10	10
Korea	5/10	0/10	5
Kuwait	0/5	0/5	15
Kyrgyzstan	10	0/10	10
Latvia	0/5/15	0/10	0/10
Lebanon	5	0/5	5
Lithuania	0/5/15	0/10	0/10
Luxembourg	0/15	0/5	0/5
Macedonia	5/15	0/10	10
Malaysia	0	15	15/20
Malta	0/10	0/5	5
Mexico	5/15	0/5/15	10
Moldova	5/15	0/10	10
Mongolia	10	0/10	5
Montenegro	5/15	10	10
Morocco	7/15	10	10
Netherlands	0/5/15	0/5	5
New Zealand	15	10	10
Norway	0/15	0/5	5
Pakistan	15/19	0/20	15/20
Philippines	10/15	0/10	15
Portugal	0/10/15	0/10	0/10
Qatar	5	0/5	5
Romania	0/5/15	0/10	0/10
Russia	10	0/10	10
Saudi Arabia	5	0/5	10
Serbia	5/15	10	10
Singapore	0/5/10	0/5	2/5
Slovakia	0/5	0/5	5
Slovenia	0/5/15	0/10	0/10
South Africa	5/15	0/10	10
Spain	0/5/15	0	0/10
Sri Lanka	10	0/10	10
Sweden	0/5/15	0	5
Switzerland	0/15	0/5	0/5
Syria	10	0/10	18
Taiwan	10	0/10	3/10
Tajikistan	5/15	0/10	10
Thailand	19	0/10	5/15
Tunisia	5/10	12	12
Turkey	10/15	0/20	10
Ukraine	5/15	0/10	10
United Arab Emirates	0/5	0/5	5
United Kingdom	0/10	0/5	5
United States	5/15	0	10
Uzbekistan	5/15	0/10	10
Vietnam	10/15	10	10/15
Zimbabwe	10/15	10	10

Poland has signed TIEAs with 14 countries based on the OECD model convention.