Deloitte.

International Tax

United States Tax Alert

February 15, 2013

New U.S.-Poland Treaty Signed- Brief Summary

Contacts

Philip Morrison
pmorrison@deloitte.com

Oshan James
ojames@deloitte.com

On February 13, 2013, the United States and Poland signed a new income tax treaty ("pending treaty") between the two countries. The pending treaty, once ratified by each country's proper authorities, will replace the existing tax treaty, which was concluded in 1974. The signing of this pending treaty and its transmission to the U.S. Senate should add pressure for the Senate's approval of the pending new treaty with Hungary.

Among other changes, the pending treaty:

- introduces a comprehensive limitation on benefits provision that is consistent with many recently concluded U.S. tax treaties;
- maintains the 5% withholding tax rates on dividends where the beneficial owner owns 10% of the voting stock of the distributing company; and reduces the rate to 0% (from 15%) for dividends to certain pension funds;
- allows for the imposition of a branch profits tax at the reduced dividend rates;
- raises the generally applicable 0% withholding tax rate on interest to 5% while preserving exemption for certain states, pension funds, lending or finance businesses, banks, and insurance companies;
- reduces the 10% withholding tax rate on royalties to 5%;
- includes new methods recently developed by the OECD for attributing business profits to a permanent establishment; and
- adds an exemption for "other income."

In addition, the pending treaty also provides for the full exchange of information between the competent authorities to facilitate the administration of each country’s tax laws.

A copy of the pending treaty is attached. A more detailed alert will follow shortly.
