International Tax

Poland Highlights 2024

Updated January 2024

Recent developments

For the latest tax developments relating to Poland, see Deloitte tax@hand.

Investment basics

Currency: Polish Zloty (PLN)

Foreign exchange control: None (generally) for transactions with EU, European Economic Area (EEA), and OECD member states, and certain other jurisdictions. Permission may be required for some transactions with other jurisdictions and to conduct certain transactions in a foreign currency.

Accounting principles/financial statements: Polish GAAP or, in some cases, IFRS. Financial statements must be prepared annually. Special rules apply to listed companies.

Principal business entities: These are the limited liability company, joint stock company, simple joint stock company, limited joint stock partnership, limited partnership, sole proprietorship, and branch of a foreign corporation.

Corporate taxation

Rates	
Corporate income tax rate	19% (standard)/9% (reduced)
Branch tax rate	19% (standard)/9% (reduced)
Capital gains tax rate	19%

Residence: A corporation, a capital company (i.e., a limited liability company or joint stock company), a limited joint stock partnership, a limited partnership, a general partnership (under certain conditions), or a tax capital group is tax resident in Poland if its registered seat or management is in Poland. In certain circumstances, a capital company in organization (i.e., not yet registered) may also be considered to be Polish tax resident.

Basis: Resident entities are taxed on worldwide income; nonresident entities are taxed only on Polish-source income. Foreign-source income derived by residents generally is subject to corporate income tax in the same way as Polish-source income, usually with a foreign tax credit available, unless an applicable tax treaty provides otherwise. Branches generally are taxed in the same manner as subsidiaries despite the fact that branches are not separate taxpayers under the corporate income tax law.

Taxable income: Corporate income tax is imposed on a company's profits, which consist of capital gains and other income (which includes business, trading, and operational income). Normal business expenses (including interest and other financing costs) may be deducted in computing taxable income with some limitations.

Rate

General

The standard corporate income tax rate is 19%. A lower rate of 9% applicable to income other than capital gains may be available to small taxpayers and taxpayers commencing business activity with revenues not exceeding EUR 2 million in the given year (with certain exceptions). Tax capital groups (groups of two or more companies having a fiscal unity for corporate income tax purposes) may not benefit from the lower rate.

Limited liability companies, joint stock companies, simple joint stock companies, limited joint stock partnerships, and limited partnerships wholly owned by individuals may be able (subject to certain conditions) to apply a flat rate of tax for a period of four years on profits distributed to their shareholders (referred to as flat rate taxation on the income of capital companies or "Estonian CIT"). The benefit may be extended for the subsequent four years.

To apply the flat rate, entities must meet a number of conditions set out in the relevant regulation, including:

- Passive income (e.g., interest, royalties, receivables, sureties, guarantees) is less than half of total revenue; and
- The company:
  - Maintains average employment (based on employment agreements) of at least three employees (other than shareholders); or
  - Incurs monthly expenses of an amount equal to at least three times the average monthly salary in the business sector on the payment of salaries to at least three individuals (other than shareholders) engaged under an agreement other than an employment agreement.

Other conditions specified in the regulation and various additional factors outside of the regulation also may apply.

The flat tax rate is:

- 10% of the tax base in the case of a small taxpayer and a taxpayer starting a business activity; or
- 20% of the tax base for other taxpayers.

Alternatively, taxpayers who are entitled to the flat rate may benefit from a special investment fund that enables accelerated tax settlement of the depreciation of fixed assets. To benefit from this, taxpayers must set up a separate settlement account at Bank Gospodarstwa Krajowego (BGK) or another bank that concludes an agreement with BGK on information exchange.

Taxpayers that receive income from certain property rentals may be subject to real estate corporate income tax (RE CIT) based on the value of the property which is deductible from the advance payments of corporate income tax (see "Real property tax" under "Other taxes on corporations and individuals," below).

Surtax

There is no surtax.

Alternative minimum tax

As from 1 January 2024, a minimum corporate income tax is imposed on companies or capital tax groups that report an operating tax loss or whose operating profitability does not exceed 2%.

The amount of minimum corporate income tax is equal to 10% of the tax base, which is calculated as the sum, inter alia, of: (i) 1.5% of operating revenue; (ii) financing costs above a certain threshold; and (iii) costs related to the purchase of certain services or intangible rights incurred on behalf of related entities, to the extent that they exceed PLN 3 million plus 5% of tax EBITDA (earnings before interest, taxes, depreciation, and amortization). A taxpayer may opt for a simplified method of determining the tax base, in accordance with which the tax base equates to an amount equivalent to 3% of the value of operating revenue earned by the taxpayer in the tax year. In principle, taxpayers may deduct the amount of the minimum tax paid for a given year from the corporate income tax calculated based on general rules.

The minimum corporate income tax does not apply in certain situations, including: (i) for the first two tax years immediately following the commencement of operations; (ii) to financial companies; (iii) in any tax year in which the taxpayer's revenue is at least 30% lower than in the immediately preceding tax year; and (iv) to small taxpayers.

Global minimum tax (Pillar Two)

Poland has not yet announced the implementation of the EU "Pillar Two" directive that is designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups and large-scale domestic groups within the EU with annual consolidated revenue of at least EUR 750 million.

Taxation of dividends: Dividends received by a Polish resident company (with certain exceptions in the case of limited joint stock partnerships) from another Polish company, EU/EEA company, or Swiss company are exempt from taxation where certain holding and participation requirements are met, and the dividends are not related to a transaction (or a set of transactions) undertaken to benefit from a tax exemption and that does not reflect economic reality.

If the exemption does not apply, dividends received are taxable, but a credit for foreign withholding tax and, in some cases, underlying foreign corporate income tax paid, is available where appropriate.

Capital gains: The Polish corporate income tax regulations provide a list of transactions that give rise to capital gains. Capital gains are taxed as a separate source of income at the standard corporate income tax rate of 19% (see "Taxable income," above). An exemption may be available for venture capital companies (limited liability companies and limited partnerships resident in Poland) on gains from the transfer of shares acquired during 2016-23 in companies performing research and development (R&D) activities, provided certain requirements are met. Under certain conditions, some investment funds and alternative investment vehicles also may benefit from an exemption on the sale of shares.

Different treatment may apply to real estate companies, see "Real estate sector," under "Other," below.

Losses: Losses from a particular source of income may be carried forward for five years against income from the same source, but the deduction is restricted to 50% of the loss incurred. Alternatively, the taxpayer may offset up to PLN 5 million of the loss in any one year with the balance deductible in the four remaining years of the five-year period, subject to the 50% offset rule.

The carryback of losses is not permitted.

If a taxpayer acquires another entity, acquires an enterprise or an organized part of an enterprise (including in-kind), or receives a cash contribution for which an enterprise or an organized part of an enterprise is acquired, a limitation applies to the settlement of tax losses where:

- The basic business activity conducted by the taxpayer after the acquisition is, in whole or in part, different from the basic activity conducted by the taxpayer before the acquisition; or
- At least 25% of the taxpayer's shares are owned by an entity or entities that did not have such rights at the end of the tax year in which the taxpayer generated the loss.

Foreign tax relief: 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.

Participation exemption: See “Taxation of dividends,” above. There is no general participation exemption for capital gains on the sale of shares, but see “Holding company regime,” below.

Holding company regime: A taxation regime for holding companies provides, inter alia, a corporate income tax exemption for dividends received from subsidiaries and profits from the sale of subsidiary stock to unrelated entities. These rules apply only if the entity is considered to be the holding company. A Polish tax resident limited liability company, joint stock company, or simple joint stock company is considered a holding company if it meets certain additional criteria.

Incentives: An additional deduction ranging from 100% to 200% of qualifying expenses incurred for R&D activities may be available (R&D relief). Qualifying expenses include employee costs and other eligible costs if the company qualifies as an R&D center. A deduction for costs related to “innovative” (i.e., R&D) employees is also available as a complement to the R&D relief. Under this incentive, employers that cannot benefit directly from the R&D relief may deduct the value of the R&D relief from the advance payments of income tax that they remit on innovative employees’ salaries (19% of eligible costs that the taxpayer could not deduct because it was in a loss position or the amount of its income was lower than the amount of the deduction under the R&D relief). This complementary incentive applies only with respect to employees who spend at least 50% of their time involved in R&D activities.

A one-time depreciation write-off of up to EUR 50,000 (de minimis aid) also may be available for small and start-up taxpayers.

A notional interest deduction of up to PLN 250,000 per year is available if certain conditions are fulfilled.

A 5% tax rate may be applied to income derived by a taxpayer from selected intellectual property (IP) (e.g., inventions, patents, medication, software) that is created, developed, or improved by the taxpayer’s R&D activity (with certain restrictions).

The following innovation tax reliefs are also available:

- Prototype relief: An additional deduction of 30% of a new product’s trial production costs and costs to bring it to market;
- Initial public offering (IPO) relief: A deduction of 150% of the costs of preparing a company’s prospectus and 50% of the costs (but no more than PLN 50,000) of consulting services for Polish tax residents intending to issue shares as a part of an IPO;
- Robotization relief: An additional deduction of 50% of the costs incurred for investments in robotization;
- Expansion relief: An additional deduction for marketing expenses up to PLN 1 million related to an increase in revenue from the sale of products; and
- CSR relief: A potential deduction of 50% of the costs incurred for scientific, cultural, and sports activities.

Other

Taxation of "profit shifting"

A 19% tax applies on the "shifted income" of tax resident companies. Subject to certain conditions, shifted income consists of tax-deductible costs incurred by a taxpayer for the benefit of a related entity that does not have a registered office or management in Poland.

VAT "approved list"

A taxpayer entering into a transaction with another person should check that person's name and bank account details against the approved list, a register of all active VAT payers and their bank accounts that is publicly available on a government website (see "Value added tax," below). If the person or the bank account is not included on the approved list, payments to the bank account will not be deductible for corporate income tax purposes.

Taxation of limited partnerships and certain general partnerships

Limited partnership and some general partnerships that meet certain additional conditions and whose partners are not individuals are subject to corporate income tax. As a result, income generated by limited partnerships and certain general partnerships is taxed both at the partnership level and at the partner level.

A tax exemption may apply to 50% of a limited partner's revenue earned from a profit participation in a limited partnership that has its registered office or management board in Poland (capped at PLN 60,000 per tax year). The corporate income tax payable by a general partner may be reduced by the amount of tax paid by the limited partnership, in proportion to the amount of profits allocated to the general partner.

Real estate sector

If a nonresident sells shares or similar interests representing at least 5% of the voting rights/interests in a real estate company ("RE company", as defined below), the RE company whose shares are being sold is required to account for the capital gains tax payable on the transaction and remit the tax on behalf of the seller.

A RE company is defined as an entity (including a foreign entity) other than an individual that is required to prepare a balance sheet in accordance with the relevant accounting provisions and that meets one of the following conditions:

- For entities commencing their activities, on the first day of the tax year, at least 50% of the market value of their assets consists, directly or indirectly, of real estate located in Poland or rights to such real estate and the market value of such real estate exceeds PLN 10 million or the equivalent in another currency; or
- For all other entities, the conditions are that (i) on the last day of the year preceding the current tax year, at least 50% of the total book value of their assets consists, directly or indirectly, of real estate located in Poland or rights to such real estate, and the total book value of such real estate exceeds PLN 10 million or the equivalent in another currency, and (ii) at least 60% of the taxable revenue in the previous tax year must have been derived from sources such as (sub)leases or real estate, agreements of a similar nature, or ownership rights relating to real estate or other real estate companies.

Capital gains tax also applies when a nonresident sells shares (regardless of the percentage of shares sold) in a company holding real estate in Poland, if more than 50% of the value of the shares is derived from real estate property located in Poland (a "real estate rich entity," regardless of whether it meets the definition of a RE company). If the company qualifies as a real estate rich entity (and does not qualify as an RE company), capital gains tax is paid by the seller.

RE companies are obliged to notify the tax authorities of the entities or persons that directly or indirectly hold shares or rights of a similar nature in them. The same legal obligation applies to taxpayers holding, directly or indirectly, at least 5% of the shares (or rights of a similar nature) in RE companies. These entities or persons are obliged to provide information for the tax or financial year by the end of the third month following the end of the tax or financial year. The information should reflect the data as of the last day of the tax or financial year.

Compliance for corporations

Tax year: Taxpayers may choose the calendar year or another 12-month period.

Consolidated returns: If certain requirements are met, companies may form a tax capital group, where all companies in the group are treated as a single taxpayer for corporate income tax purposes.

Filing and payment: Taxpayers must self-assess and pay advance corporate 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 must be made within three months of the end of the tax year. Payments of tax must be made to the taxpayer's individual bank account number provided by the tax authorities. RE CIT, if applicable, may be deducted from advance corporate income tax payments (see "Real property tax" under "Other taxes on corporations and individuals," below).

Penalties: Statutory penalty interest applies at a rate determined by reference to 200% of the National Bank of Poland's Lombard rate, subject to a minimum rate of 8%. Persons responsible for the tax reconciliation, as well as members of the management board in certain cases, are subject to penalties for noncompliance. Corporate entities also may be subject to penalties.

Rulings: Taxpayers may request a ruling on the tax treatment of a specific transaction (two or more interested parties participating in the same transaction may submit one request). The legal protection resulting from a tax ruling does not apply to tax rulings issued before the introduction of the general anti-avoidance rule (GAAR) in July 2016 where tax benefits resulting from transactions/actions covered by the rulings are derived after 1 January 2017. To safeguard tax settlements from application of the GAAR, taxpayers may apply for a protective opinion issued by the Head of the National Fiscal Administration (the expected timeline for issuing the opinion is six months and the fee for submitting the application for the opinion is PLN 20,000). The fee for a joint application by interested parties is increased by PLN 5,000 for the fifth and subsequent additional interested party.

Taxpayers may obtain advance pricing agreements (APAs) as well as advance opinions or rulings on the application of the withholding tax exemption or preferential withholding tax rates.

Individual taxation

Rates		
Individual income tax rate	**Taxable income**	**Rate**
	Up to PLN 120,000	12%
	Over PLN 120,000	32%
Solidarity surcharge	Over PLN 1 million	4%
Capital gains tax rate		19%

Residence: An individual is resident in Poland if the individual's center of personal or economic interest is in Poland or the individual stays in Poland for more than 183 days in the tax year (these rules may be modified under certain tax treaties).

Basis: Residents are taxed on their worldwide income; nonresidents are taxed only on Polish-source income.

Taxable income: Taxable income includes most cash and noncash benefits earned from employment or income from self-employment. Profits derived from business activities are subject to rules similar to the rules for companies.

Income from capital fund participation is subject to income tax at a flat rate of 19%.

As from 1 January 2024, losses from the redemption, repurchase, or other forms of capital fund unit cancellation may be offset against income from other capital investments such as shares. As a result, investors benefit from a reduction in taxable income by the amount of the actual loss incurred from capital investments. In addition, this income is considered when calculating the solidarity tax if the taxpayer’s income, including income from monetary capital, exceeds PLN 1 million in a given tax year.

Rates: In general, progressive rates of 12% or 32% apply, although certain individuals (e.g., those carrying out business activities) may opt for a flat rate under the “lump sum” regime or a linear 19% tax rate (with deduction of normal business expenses subject to some limitations, but without relief for most other deductions and allowances, or the option for joint spousal or single parent filing). As for corporations, taxpayers may apply a preferential 5% tax rate to selected IP. Private rental income up to PLN 100,000 and in excess of that amount is subject to a flat rate of 8.5% and 12.5%, respectively, with no deductions for costs of earning and/or depreciation write-offs possible under the lump sum regime. Under specific conditions, spouses may apply a lower flat rate of 8.5% to private rental income up to PLN 200,000. Taxation of rental income at progressive rates is only possible for rental income received in the exercise of a business activity. Additionally, income derived in Poland by nonresidents from certain sources (e.g., board fees, management contracts) is subject to a flat rate of 20%.

Individuals whose annual income from specific sources (including, inter alia, income taxed at progressive rates, income from the sale of shares/securities, and income from business activity taxed at a linear rate) exceeds PLN 1 million are subject to an additional 4% solidarity surcharge on the portion of income in excess of PLN 1 million.

A special lump sum taxation regime applies to wealthy individuals who transfer their tax residency to Poland but still derive income from outside the country. These individuals are eligible to pay a lump sum tax of PLN 200,000 per year for up to 10 years on their income from foreign sources if they meet the following conditions, among others:

- They were tax resident in another jurisdiction for at least five of the last six years prior to moving their tax residency to Poland; and
- They invest a minimum of PLN 100,000 per year in Poland in projects promoting economic growth, the development of science and education, the protection of cultural heritage, or the propagation of physical culture (details are provided in regulations).

This regime is restricted to revenues that Poland would not have been able to tax if the individual had not changed residency (i.e., income from Polish sources will be fully taxable in Poland in accordance with the rules applicable to Polish tax residents).

Capital gains: Capital gains are a separate source of income. Capital gains derived from the private sale of real estate after five years from the end of the year in which the property was acquired are taxed at 19% (subject to certain exemptions). Gains derived from the sale of shares, stock, securities, and cryptocurrencies, together with investment income such as dividends or interest, also are taxed at the 19% rate (different detailed taxation rules apply to various sources of income within this category).

Where an individual moves assets (e.g., rights in a partnership, shares, derivatives) outside of Poland or loses Polish tax residency, exit tax at 19% (3% in specific cases) may apply on unrealized gains, irrespective of when such assets were acquired (i.e., either during the period of Polish residency or prior to this period). The exit tax applies to assets whose value exceeds PLN 4 million. A temporary extension to the deadline for payment of exit tax has been granted through 31 December 2025 (with certain exceptions).

Deductions and allowances: Deductions include items such as donations, certain employee social security contributions, expenses incurred by disabled persons and, in certain cases, qualifying expenses incurred for R&D activities or contributions to an individual pension insurance account. Personal allowances also are available (e.g., allowances for childcare, internet connection, thermo-modernization, blood donation).

Certain tax reliefs are available, subject to a cumulative cap of PLN 85,528 per year, including a relief for individuals under 26 years of age, people who have reached pension age but who continue in employment or derive income from running their own business and suspend pension payouts, parents who raise four or more children, and taxpayers relocating to Poland ("relocation relief") who were not tax resident in Poland in the three previous calendar years (all of these are subject to meeting additional conditions and are limited to certain sources of income).

Healthcare contributions are not tax deductible in Poland, with certain exceptions. See "Social security contributions" under "Other taxes on corporations and individuals," below.

Foreign tax relief: 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. Double taxation also may be avoided via the exemption with progression method. The relevant method in each particular case depends on the provisions of the applicable tax treaty. If no tax treaty is available, the credit method applies.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Individual tax returns generally are required although married couples and single parents may be eligible to opt for preferential joint spousal or single parent filing regimes, respectively.

Filing and payment: Advance payments of income tax on an employee's salary or personal service contract income and some other sources of income are remitted to the tax authorities by the Polish employer or company on a monthly basis. Other income generally is self-assessed. Individuals generally are required to submit an annual tax return determining the final amount of tax due and they must pay the tax due by 30 April following the tax year. The standard deadline is also applicable to lump sum tax regimes. Earlier filing dates may apply for exit tax reporting (see "Capital gains" under "Individual taxation," above). Payments of tax should be made to the taxpayer's individual tax account number generated based on the taxpayer's tax ID.

Penalties: Individuals may be subject to penalties for noncompliance.

Rulings: See "Rulings" under "Compliance for corporations," above.

Withholding tax

New withholding tax rules applicable to certain cross-border payments exceeding PLN 2 million per recipient per year have been adopted but the entry into force of the rules has been postponed several times. The procedure for the compulsory collection and subsequent refund of withholding tax ("pay and refund" mechanism) has entered into force with respect to dividend, interest, and royalty payments to related entities. If the total amount of dividends, interest, and royalties paid to one related recipient during the payer's tax year exceeds PLN 2 million, the payer must withhold tax on the excess amount at the appropriate standard domestic rate (i.e., 20% or 19%, without the application of exemptions and preferential rates).

If the pay and refund mechanism is applied, the taxpayer (the recipient of the payment) or the payer (provided that it has paid the tax from its own funds and has borne the economic burden) may apply for a withholding tax refund.

It is possible not to apply the pay and refund mechanism if the payer either:

- Submits a management board statement to the tax authorities stating that a withholding tax exemption, reduced rate, or non-collection applies; or
- Obtains an opinion that a withholding tax exemption, reduced rate or non-collection applies.

Polish withholding agents must demonstrate appropriate due diligence in verifying eligibility for a withholding tax exemption, reduced rate, or non-collection of withholding tax. Beneficial ownership requirements also apply and Polish law defines “beneficial owner.” The concept of beneficial ownership under Polish tax law also includes business substance. The Polish Ministry of Finance has issued draft explanatory notes on certain practical aspects of the new withholding tax rules, including an explanation of beneficial owner and the scope of the due diligence requirements. However, no final version of this document has yet been published.

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0% (generally)/19%	19%	19%	19%
Interest	0%	19%	20%	19%
Royalties	0%	0%	20%	20%

Dividends: Dividends paid by a Polish resident company to another resident company generally are not subject to withholding tax where certain holding and participation requirements are met (see “Taxation of dividends” under “Corporate taxation,” above); otherwise, a 19% withholding tax applies. Dividends paid to a resident individual are subject to withholding tax at 19%.

Dividends paid to a nonresident are subject to withholding tax at 19%, unless the rate is reduced under an applicable tax treaty or the dividends qualify for exemption under the EU parent-subsidiary directive, provided the dividend is not related to a transaction (or a series of transactions) undertaken to benefit from a tax exemption and that does not reflect economic reality. See “Withholding tax,” above, for rules applicable to certain payments.

Interest: Interest paid to a resident company is not subject to withholding tax. Interest paid to a nonresident company is subject to a 20% withholding tax, unless the rate is reduced under an applicable tax treaty or the EU interest and royalties directive, provided the interest is not related to a transaction (or a series of transactions) undertaken to benefit from a tax exemption and that does not reflect economic reality. An exemption based on the directive may be available only if the recipient is the beneficial owner of the interest. A 19% withholding tax rate generally applies to interest paid to resident and nonresident individuals (unless reduced under an applicable tax treaty in the case of nonresidents). See “Withholding tax,” above, for new rules applicable to certain payments.

Royalties: Royalties paid to a resident are exempt from withholding tax. Royalties paid to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under an applicable tax treaty or the EU interest and royalties directive, provided the royalties are not related to a transaction (or a series of transactions) undertaken to benefit from a tax exemption and that does not reflect economic reality. An exemption based on the directive may be available only if the recipient is the beneficial owner of the royalties. See "Withholding tax," above, for new rules applicable to certain payments.

Fees for technical services: See "Other," below.

Branch remittance tax: There is no branch remittance tax.

Other: Fees for specified intangible services (e.g., advisory, accounting, legal, technical, advertising, data processing, market research, recruiting, management, or control services, and guarantees) paid to nonresidents are subject to a 20% withholding tax (subject to the provisions of an applicable tax treaty).

Anti-avoidance rules

Transfer pricing: Polish transfer pricing rules generally follow the OECD guidelines. The tax authorities may make an adjustment where prices for controlled transactions are not in accordance with the arm's length principle or where they recharacterize or disregard controlled transactions. Generally, two entities are considered related parties if one entity exercises effective influence over the other (e.g., by owning, directly or indirectly, at least 25% of its shares) or if the same entity exercises effective influence over both of them.

Transfer pricing documentation must be prepared for related party transactions (see "Disclosure requirements," below) and for certain transactions, such as those concluded with unrelated entities located in tax havens.

APAs are permitted. Safe harbor provisions apply for transactions involving loans and low value-added services under specific circumstances.

Interest deduction limitations: Deductions of debt financing costs that exceed interest or "interest-type" income are limited to the greater of 30% of tax EBITDA (as defined for purposes of the thin capitalization rules) or PLN 3 million in a fiscal year. The limitation applies to all "debt financing costs" (e.g., interest, arrangement fees) on financing granted by both related and unrelated entities. Disallowed deductions may be carried forward for five years, with some exceptions.

Controlled foreign companies: Under the controlled foreign company (CFC) rules, Polish taxpayers are taxed at 19% on the income of their CFCs. A subsidiary is characterized as a CFC where:

- The entity is located in a jurisdiction that engages in "harmful tax practices";
- The jurisdiction of the entity's seat or place of management, registration, or location does not engage in the exchange of information with Poland or the EU; or
- The Polish company effectively controls or holds (either on its own or jointly with its related entities) over 50% of a foreign entity and derives at least 33% of its revenue from passive income;

and the amount of tax actually paid by the foreign entity is at least 25% lower than the tax that would be due if the entity was a Polish resident.

In addition to these categories of CFC (i.e., companies in tax havens, companies in jurisdictions without a tax information exchange agreement, and passive-income CFCs), there are two further categories of CFC:

- Asset-rich CFCs, whose classification is based on the ratio of the company's passive revenue to asset value; and
- Related parties income-rich CFCs, whose classification is based on a formula that includes, e.g., asset value, employment costs, depreciation value, rate of revenue from certain unrelated entities.

In the case of an asset-rich CFC, the tax base is 8% of the assets held by the CFC (instead of the CFC's income).

These rules do not apply where a CFC carries out relevant genuine economic activities. The tax base (taxable income) under the CFC regime may be reduced by the amounts already included in the Polish taxpayer's tax base in respect of dividends received from a CFC and income from the sale of shares in a CFC.

A specific anti-avoidance rule applies under the CFC legislation, requiring a business reason for the associations between entities and ignoring artificial and circular shareholding structures.

Anti-hybrid rules: Poland has implemented the anti-hybrid measures contained in the EU Anti-Tax Avoidance Directive (ATAD) II. The measures apply to certain payments made by Polish taxpayers (with unlimited and limited tax obligations in Poland) that are subject to:

- A double deduction (i.e., the same payment is tax deductible in more than one jurisdiction); or
- A deduction without inclusion (i.e., the payment is deducted for tax purposes in the jurisdiction of the payer with no matching inclusion in taxable income (revenue) in the jurisdiction of the recipient, or the payment qualifies for tax relief in the recipient's jurisdiction solely due to the payment's characteristics), provided certain additional conditions are met.

Economic substance requirements: There are no economic substance requirements provided in the tax regulations but some market practice in this regard is developing.

Disclosure requirements: Certain transactions must be reported to the tax authorities and/or the National Bank of Poland.

Transfer pricing local file documentation must be prepared for related party transactions exceeding certain thresholds in a tax year. The thresholds are PLN 10 million for uniform transactions including tangible goods or financial transactions, and PLN 2 million for uniform transactions including services and other types of transactions. The thresholds for transactions concluded with related and unrelated entities located in tax havens are PLN 2.5 million for financial transactions and PLN 500,000 for all other transactions.

Some types of transaction (domestic transactions, cost recharges, transactions for which an APA was issued, transactions under the safe harbor provisions) may be excluded from the transfer pricing documentation requirements if certain conditions are met.

Taxpayers whose consolidated revenue exceeds PLN 200 million also must prepare a master file that contains additional information about the entire related party group.

Taxpayers also may be required to prepare and submit a report on controlled transactions (TPR-C form) for each fiscal year. In this form, taxpayers must disclose details regarding controlled transactions as well as declare that all transfer prices were set at arm's length, that local file documentation was prepared, and that the local file contains information consistent with the facts.

Transfer pricing documentation requirements also apply to taxpayers conducting business operations in forms not having legal personality (e.g., partnerships) and transactions concluded with entities incorporated in tax havens, even where such entities are not considered related parties.

Taxpayers whose consolidated revenue exceeded the equivalent of EUR 750 million in the preceding tax year also must produce a country-by-country report, which contains additional information about the income and tax paid by group subsidiaries, their places of conducting business, and their permanent establishments.

Key aspects of the transfer pricing regulations include:

- The deadline to prepare local transfer pricing documentation is the end of the 10th month following the end of the tax year and the documentation must be prepared in electronic form;
- Local file documentation must be prepared for each material transaction and must include a benchmarking study or a compliance analysis;
- The obligation to prepare local transfer pricing documentation does not apply to controlled transactions that meet safe harbor provisions;
- The deadline to submit the TPR-C form is the end of the 11th month following the end of the tax year;
- The obligation to prepare a benchmarking study or compliance analysis does not apply to:
    - Controlled transactions concluded by related entities that are micro or small entrepreneurs within the meaning of the Entrepreneurs Law Act; and
    - Transactions concluded with entities located in a jurisdiction that engages in harmful tax practices (other than controlled transactions);
- The deadline to submit local transfer pricing documentation at the request of the tax authorities is 14 days; and
- A statement on preparing transfer pricing documentation is included within the TPR-C form; and
- Master file documentation must be prepared within 12 months following the end of the tax year.

Mandatory disclosure rules apply to both cross-border and domestic arrangements. The obligation to report "marketable" (repeatable) tax planning schemes falls principally on the intermediary and is performed on a no-names basis, provided the intermediary is compelled to secrecy under legal professional privilege (i.e., is a tax advisor, legal counsel, or attorney at law) and its secrecy obligation is not lifted by the taxpayer. "Bespoke" (i.e., tailor-made) schemes are reportable by the taxpayer, unless the intermediary's secrecy obligation under legal professional privilege is lifted or the intermediary is not entitled to invoke legal professional privilege.

Corporate taxpayers whose revenue exceeds EUR 50 million in a tax year and tax capital groups must prepare and disclose information on the execution of their tax strategy. The deadline is 12 months from the end of the tax year.

Excluding information covered by a trade, industrial, professional, or manufacturing process secret, taxpayers must prepare and disclose information on, inter alia:

- Their approach to processes and procedures to manage their obligations under tax regulations and to ensure their proper execution;
- Voluntary forms of cooperation with the National Fiscal Administration authorities;
- The number of mandatory disclosure reports about tax schemes submitted for each tax;
- Transactions with related entities with a value greater than 5% of total balance sheet assets (based on statutory financial statements);
- Restructuring activities planned or undertaken by the taxpayer which may affect the tax liabilities of the taxpayer or related entities;
- Applications submitted for a tax ruling, binding VAT rate information, or binding excise duty information; and
- Tax settlements in jurisdictions engaging in harmful tax competition.

This list is not exhaustive and the report must be prepared taking into account the nature, type, and size of the taxpayer's business. Failure to meet this reporting requirement may result in a fine of up to PLN 250,000.

Exit tax: Exit tax applies to corporations (and individuals) in the case of a change of tax residence or associated transfer of assets outside of Poland. Where an individual moves assets outside of Poland or loses Polish tax residency, exit tax at 19% (3% in specific cases) may apply on unrealized gains. See "Capital gains" under "Individual taxation," above.

General anti-avoidance rule: A GAAR allows the tax authorities to eliminate the tax benefit of a transaction/action in cases where obtaining such benefit is the main or one of the main reasons for undertaking the transaction/action and the conduct is artificial. In assessing whether a tax benefit should be deemed the main or one of the main aims of performing a transaction/action, the economic reasons for performing the transaction/action as indicated by the taxpayer must be considered.

In certain cases where the tax authorities apply the anti-avoidance regulations, additional tax liabilities may be imposed.

Value added tax

Rates	
Standard rate	23%
Reduced rate	0%/5%/8%

Taxable transactions: VAT is imposed on the supply of goods and services, the import and export of goods to/from Poland, and the intra-Community acquisition and supply of goods.

Rates: The standard VAT rate is 23%. Preferential rates of 5% and 8% apply to certain goods and services; other goods and services (e.g., intra-Community supplies, exports) may be zero-rated or exempt.

Registration: The registration threshold for VAT purposes is annual turnover of PLN 200,000. Nonresidents that make taxable supplies of goods or services in Poland generally must register.

Filing and payment: All taxpayers, including taxpayers that are EU VAT registered and taxpayers that are suppliers or buyers subject to the reverse charge mechanism, are required to submit an electronic VAT return (JPK_V7). The JPK_V7 must be submitted and the VAT due paid within 25 days following the month in which the VAT obligation arose. Other possibilities regarding filing or payment may exist in certain cases (e.g., quarterly reporting for small taxpayers). Additionally, taxpayers are required to mark in the JPK_V7 certain supplies of goods and provision of services with GTU codes (with respect to transactions that are particularly vulnerable to fraud) as well as apply specific codes for some types of transactions and documents.

A split payment mechanism is mandatory for certain select transactions under penalty of VAT sanctions. For other types of transactions, the split payment mechanism is voluntary with certain incentives for the purchaser.

The tax authorities may impose penalties of up to 30% of understated output VAT or overstated input VAT, which may be reduced to up to 20% or up to 15% under certain conditions. The penalty is increased to 100% of input VAT claimed from so-called “empty invoices.”

It is possible to establish a VAT group in Poland. This concept allows the joint settlement of VAT by a group of closely related entities. The VAT group may be created by taxpayers established in Poland or foreign entities holding a Polish branch and must be for a period of at least three years. To establish a VAT group, the members must sign an agreement and register the group as a separate VAT payer with the relevant tax office. After the registration, all transactions among the VAT group members will not be subject to VAT.

Other

List of registered VAT taxpayers and bank accounts (approved list)

A taxpayer entering into a transaction with a supplier should check the person’s name and bank account against the approved list, a register of all active VAT payers and their bank accounts that is publicly available on a government website. If the supplier or the bank account is not included in the approved list and the payment exceeds PLN 15,000, payments to the bank account are not deductible for income tax purposes and the taxpayer is jointly and severally liable for the supplier's VAT arrears up to the value of VAT resulting from the transaction. The bank account should be verified on the day of the transfer order. However, where the payment is made to an unreported bank account of a supplier who is on the approved list, the taxpayer should notify the tax office of the payment within seven days from the date of the transfer order.

Structured invoices and the National e-Invoicing System (KSeF)

Mandatory structured e-invoicing was due to have been implemented as from 1 July 2024 but has been postponed with no new implementation date given. Structured e-invoices would be issued and received by taxpayers via the KSeF. Taxpayers would prepare structured invoices in their financial and accounting systems, which would be sent to the KSeF using an interface enabling data connection and exchange between IT systems (API). The KSeF would also be used to verify (accept) invoices and admit them into legal circulation. The new obligation would include both Polish VAT registered entities and foreign companies with a fixed establishment in Poland that perform transactions requiring the issuance of invoices under the Polish VAT law. The system is already operational on a voluntary basis.

VAT taxation of financial services

VAT taxpayers entering into business-to-business, financial services transactions with other VAT taxpayers may choose to be taxed on these transactions. Financial services provided to retail clients (nontaxable persons) are exempt from VAT.

Exemption from VAT means that the input VAT related to the provision of financial services is, in principle, not deductible for the provider. Taxation of financial services gives providers the right to deduct input VAT on purchases related to the provision of the services. The same right to deduct input VAT applies to purchasers if the purchased services are related to the VATable business activity.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: Employers and employees must make social security contributions in total equal to approximately 35% of an employee's remuneration, subject to certain caps, with approximately 21% paid by the employer and 14% by the employee.

Employee contributions are withheld and remitted by the employer, together with the employer's contribution. The employee contributions are deductible when calculating the employee's taxable earnings. Employees also are required to make a 9% healthcare contribution, which is not tax deductible (the contribution is collected and remitted by the employer), although certain individuals may be exempt under certain tax regimes. In particular, specific rules apply to self-employed individuals:

- Individuals using the 19% flat tax rate must make healthcare contributions at the lower rate of 4.9% (but not less than 9% of minimum wage) and are allowed to deduct their contributions up to PLN 11,600 for the 2024 tax year; and
- Individuals using the lump sum taxation method are allowed to deduct up to 50% of their healthcare contributions.

Employee Capital Plans (PPKs)—broadly, a type of retirement savings plan financed jointly by the employee, the employer, and the government, and operated by third party financial institutions—apply to all companies regardless of headcount. Employees and otherwise designated hired individuals (subject to specific regulations) may voluntarily participate in PPKs. Persons are enrolled by default but may opt out. Basic employee contributions are 2% of gross remuneration and basic employer contributions are 1.5%. There are no caps. Employers and other entities may have certain formal obligations even if they have no employees/individuals interested in participating in a PPK.

Payroll tax: There is no payroll tax, but an employer is responsible for remitting social security contributions and advance payments of income tax on an employee's salary.

Capital duty: Capital duty is imposed on corporations at 0.5% of the nominal value of share capital.

Real property tax: Tax generally is imposed on the owner of real estate (land, buildings, and construction) at rates imposed by the local authorities.

A corporate taxpayer that is the sole or co-owner of buildings located in Poland is subject to RE CIT at a rate of 0.035% per month on the total initial value of the building (excluding the land value), reduced by PLN 10 million, if the total share of the usable space of a building, as determined on the first day of each month, exceeds 5% of the total usable space of that building. RE CIT is deductible from advance payments of corporate income tax. It is possible to apply for a refund of RE CIT if it exceeds the taxpayer's final corporate income tax liability.

Transfer tax: Tax is imposed at rates ranging between 0.5% and 2% on certain types of transactions (e.g., sales, exchanges of rights, loans) that generally are not covered by VAT. As a rule, transactions exempt from VAT are not subject to transfer tax (except for real estate and shares).

Stamp duty: Stamp duty is charged, for example, when filing a power of attorney and when the (central or local) authorities are requested to perform activities, such as issuing certificates, granting approval, etc. The applicable rates or fixed amounts are specified in the stamp duty law.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: Inheritance and gift taxes range from 3% to 20%, subject to certain allowances and exemptions.

Other: Shipping companies may opt to pay tonnage tax on certain types of income. A special tax is imposed on the excavation of silver, copper, crude oil, and natural gas.

A tax applies on certain financial institutions, including domestic banks, branches of foreign banks and credit institutions, insurance and reinsurance companies, and loan institutions (excluding state-owned banks). The tax is charged on the total value of assets exceeding PLN 200 million in the case of loan institutions, PLN 2 billion for insurance and reinsurance companies, and PLN 4 billion for other financial institutions, at a rate of 0.0366% per month.

A tax on revenue from retail sales applies to retailers whose monthly turnover exceeds PLN 17 million at 0.8% on monthly turnover between PLN 17 million and PLN 170 million, and 1.4% on monthly turnover exceeding PLN 170 million.

Tax treaties: Poland has concluded over 90 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for Poland on 1 July 2018.

For information on Poland's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: Minister of Finance, Head of the National Tax Administration, Director of the National Tax Information, heads of tax offices, heads of customs-tax offices, directors of tax administration chambers, and some local authorities

Contact us:

Ewa Grzejszczyk
Email: egrzejszczyk@deloitteCE.com

Jan Wasilewski
Email: jwasilewski@deloitteCE.com

Tomasz Niemiec
Email: tniemiec@deloitteCE.com