Doing business in Poland

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1. INTRODUCTION – POLAND AND ITS ECONOMY

Poland is one of the most economically stable and rapidly expanding countries in Europe. It is a member of the European Union (EU), NATO, and OECD.

For more than 25 years, the Polish economy has been expanding steadily, and it is currently the sixth-largest economy in the European Union. The fact that Poland, the sole country in Europe, was not impacted by the recession in 2008-2010 is indicative of the exceedingly robust foundations of development. Exports and domestic consumption are the primary drivers of economic expansion at present.

Economic stability and predictability are demonstrated by the robust state of public finances and the potential for long-term investment planning. Poland is the sole European nation that has evaded the crisis, and its public finances are in significantly better shape than the EU average for public debt as a percentage of GDP.

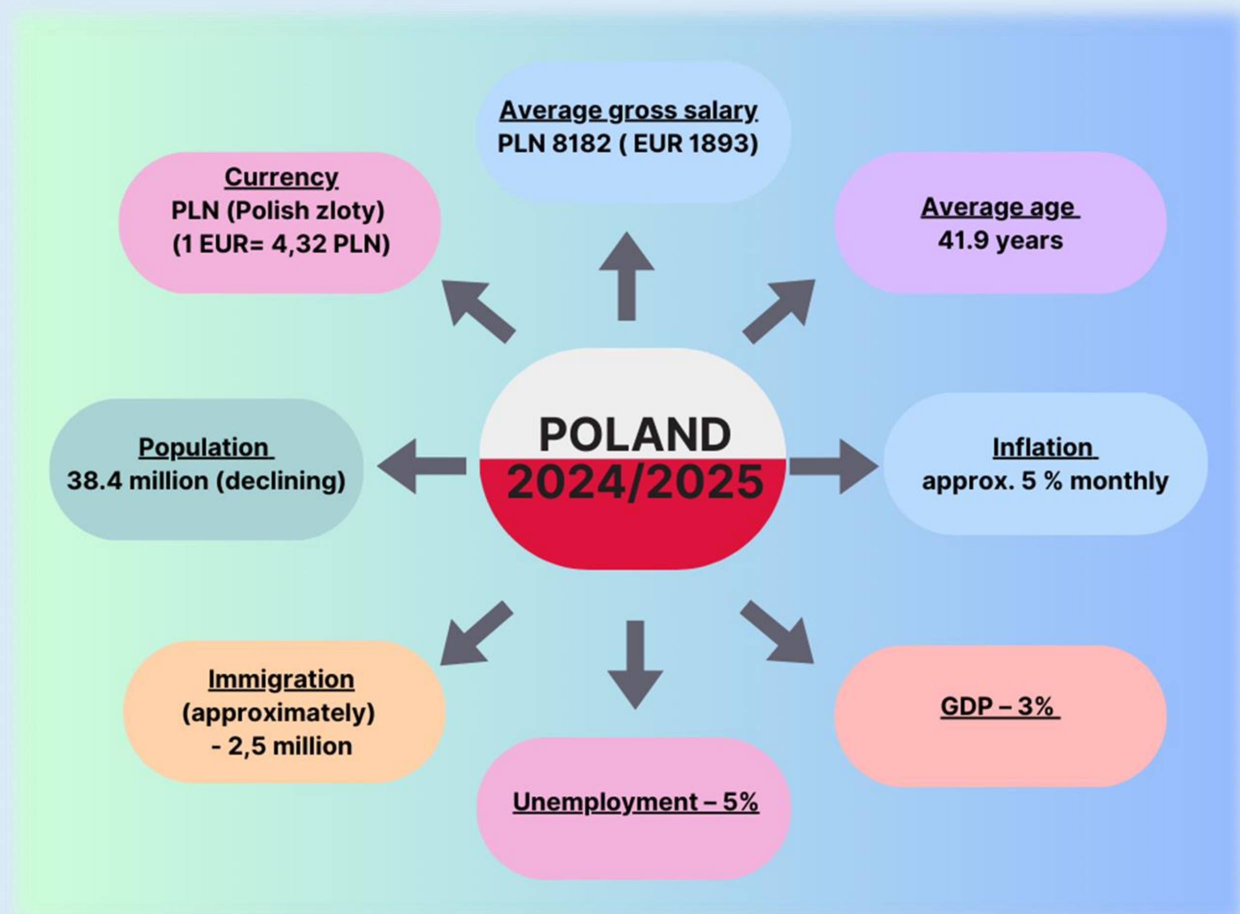
The modernisation procedure, which commenced in 1989, is still in progress. The Polish economy is in the process of becoming more closely integrated with the global economy. Polish enterprises are deeply ingrained in European production chains, and the Polish government's primary objective is to establish a firm foundation for the growth of entrepreneurship and business. By guaranteeing transparent and stable business environments, this intricate objective is accomplished.

Companies choose Poland because of its sound institutional system and stable political environment, strong human capital, central location, large domestic market (the largest in Central-Eastern Europe), and investment-friendly policy, which includes a system of incentives available for foreign investors.

Poland has also a strategic location:

- sea access and central position between Western and Eastern Europe.
- at the crossroads of European trade and transport routes.
- the road infrastructure is constantly being developed and modernised.

Main economics and population factors Poland 2024/2025:



Abbreviations used in Doing business in Poland mean:

PIT – personal income tax;

CIT – corporate income tax;

VAT – tax on goods and services;

ZUS – Main Social Security Office;

GUS – Main Statistical Office;

CEiDG - Central Register and Information on Economic Activity;

KRS – National Registration Court

2. LEGAL FORMS OF RUNNING BUSINESS ACTIVITY IN POLAND

There are several forms of running business activity in Poland. The differences between them concern both formal matters, such as the place of registration, and financial matters - for example, the capital required to establish a company or the method of representation.

To start a business, one can choose from several types (legal forms):

2.1. Capital companies:
2.1.1. limited liability company,
2.1.2. joint-stock company,
2.1.3. simple joint-stock company.
2.2. Branches and representative offices
2.2.1. branch
2.2.2. representative office
2.3. Entrepreneur (one-person business activity)
2.4. Civil law partnership (private partnership)
2.5. Partnerships:
2.5.1. general partnership,
2.5.2. professional partnership,
2.5.3. limited partnership,
2.5.4. limited joint-stock partnership.

Moreover, limited liability companies and joint-stock companies with their seats abroad may open branches and representative offices on the territory of Poland (2.5).

However, for the purpose of below presentation we will start from those businesses vehicles which are most popular for foreign corporate entities.

2.1. CAPITAL COMPANIES

2.1.1. LIMITED LIABILITY COMPANY

Limited liability companies became a very popular form of business activity in Poland. According to the Central Statistical Office such companies account for almost 15% of all businesses in Poland and tens of thousands of new limited liability companies are registered every year.

The main advantages of limited liability companies in Poland are as follows: a low entry threshold, easy registration, no restrictions in conducting business in such form and limited liability of shareholders.

A limited liability company is a separate legal entity acting on its own behalf and being liable with its own assets. The personal liability of its shareholders is limited only to the assets they contributed to the company and does not apply to

their private assets. Minimal capital to be contributed in cash or assets (tangible/intangible) is PLN 5000 (ca. EUR 1163). This allows shareholders to protect their own assets in case of failed investments or debts. They may only lose what they contributed to the company and what constitutes its assets.

Polish law does not provide for any significant limitations in activities carried out by limited liability companies.

2.1.2. JOINT-STOCK COMPANY

Joint-stock company is a legal entity (legal person). It can be established by a minimum of one natural person, legal person, or organizational unit with legal capacity. A joint-stock company issues shares. The shareholders who acquire them become shareholders of the company.

The establishment of a joint-stock company necessitates the preparation of the company's articles of association, a founding agreement, and an entry in KRS. Additionally, the share capital must be paid in a minimum of PLN 100,000 (ca. EUR 23,255). The shareholders do not possess the company's assets. Nevertheless, they are granted the right to a dividend (a portion of the profit) and are not accountable for any obligations of the company. The company is burdened by its debts, which are repaid through all of its assets.

The management board of joint-stock company is responsible for representing the company and managing its affairs. Board members are typically appointed and dismissed by a supervisory board, which is a body of at least three individuals that every joint-stock company is required to establish. Full accounting is required for joint-stock companies. Additionally, it is imperative to prepare and publish annual financial reports and conduct financial audits.

2.1.3. SIMPLE JOINT-STOCK COMPANY

A simple joint-stock company (PSA) was established in 2021. This is a simplified version of a joint-stock company that is significantly simpler to establish, operate, and, if necessary, dissolve. Its most significant benefits consist of:

- possibility to establish a board of directors, which is a body that combines the functions of the supervisory and management boards,
- no minimum share capital requirement – only a symbolic quantity of PLN 1 of share capital is necessary,
- option of dissolving the company without a formal liquidation - in this case, the assets may be transferred to one of the shareholders,
- less complex procedures for establishing and operating the company – it does not have the status of a public company,
- possibility to execute a company agreement online through the S24 portal,
- the ability of PSA bodies to make decisions remotely through the use of instant messengers and e-mail,
- more flexible regulations regarding the company's operations and the classification of shares,
- possibility for the maintenance of an electronic shareholder register.

2.2. BRANCHES AND REPRESENTATIVE OFFICES

Branches and representative offices may be established on the territory of Poland by limited liability companies and joint-stock companies with a seat abroad.

2.2.1. BRANCH

Branch is an optimal corporate vehicle for foreign entrepreneurs who are entering the Polish market, as it provides the opportunity to operate a business from the country of domicile. This form of business activity will interest entrepreneurs who run a company in the EU and want to enter the Polish market. A branch of a foreign company could be properly called its "*extension*" on the territory of Poland. Undoubtedly, the most important feature of a branch is that through it, a foreign entrepreneur can conduct business activity on the territory of Poland - within the limits of the activities conducted by the foreign company. In other words, the subject of business activity conducted in Poland within the branch cannot go beyond the subject of business activity conducted by the company abroad.

Branch does not have its own legal entity (and therefore, unlike a company established in Poland, it is not a separate legal person), its own corporate bodies, statute or share capital. The branch operates under the original name of the foreign company with the legal form of the foreign company translated into Polish and the addition "*branch in Poland*".

In the scope of business conducted within the branch, the foreign company is represented by a representative appointed by it - a selected natural person, who may be both a Polish citizen and a foreigner. It is crucial for all individuals who are responsible for the branch in Poland to adhere to certain regulations. Initially, the individual who is authorised to represent the foreign investor must be formally appointed, and the branch must be included in the KRS. The mandatory affix "*branch in Poland*" should be included in KRS, in addition to the original name and the legal form's name that has been translated into Polish. The confirmation of foreign registration of the company and a copy of the founding document (along with the certified translation) should be submitted by the entrepreneur as an attachment.

Branch is required to maintain a separate bank account in Poland in accordance with Polish law regarding the white lists of active VAT payers. Not all categories of bank accounts are eligible for inclusion in the white list. Foreign accounts with a separate numerical structure are included in the excluded accounts.

2.2.2. REPRESENTATIVE OFFICE

The scope of activity of the representative office may include only conducting activity in the field of advertising and promotion of a foreign entrepreneur. It is therefore not possible to conduct business activities through a representative office.

To open a representative office in Poland, one needs to submit to the registry held by the Ministry of Entrepreneurship and Technology. The period for which the office can be operational is 2 years, with a possibility for prolongation for another 2 years. The legal title to the property in which the representative will perform his duties will also be necessary.

A representative office, same as branch, does not have its own legal entity (and therefore, the same a branch, it is not a separate legal person). It does not have its own corporate bodies, statute or share capital. A representative office is marked with the original company name of the foreign company with the addition "*representative office in Poland*".

Similarly to a branch, a foreign entrepreneur is obliged to appoint a representative. A natural person, both a Polish citizen and a foreigner, may be chosen as a representative. The representative, referred to in the relevant regulations as "*a person authorised to represent a foreign entrepreneur in a representative office*", is the head of the representative office in Poland and is disclosed in the Register of Representative Offices of Foreign Entrepreneurs. Similarly to a branch, accounting books must also be kept in accordance with the principles of the Polish Accounting Act.

Representative office is required to maintain a separate bank account in Poland in accordance with Polish law regarding the white lists of active VAT payers. Not all categories of bank accounts are eligible for inclusion in the white list. Foreign accounts with a separate numerical structure are included in the excluded accounts.

Below business vehicles are frequently used by individuals but not only, they may also be used by a non-profit organisations. It is worth mentioning that:

an individual conducting business operations in Poland does not have to be a Polish citizen, since:

- European Union member states and European Economic Area member states citizens may undertake and conduct business activity in Poland on the same terms as Polish citizens;
- non-European Union or non-European Economic Area countries citizens may undertake and conduct business activity in Poland on the same terms as Polish citizens, if they have a residence title that entitles them to do so, e.g. a permanent residence permit, a long-term EU resident permit or a temporary residence permit issued in connection with higher education (students).

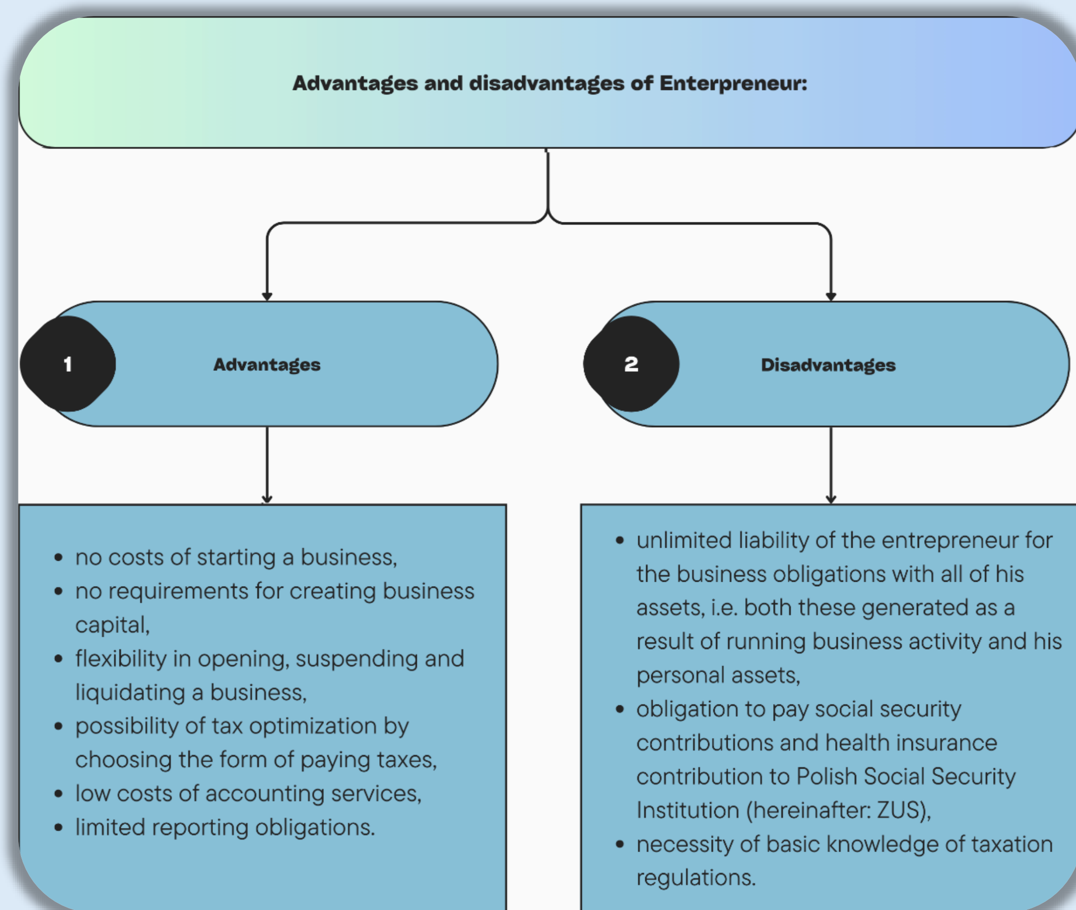
2.3. ENTERPRENEUR (ONE-PERSON BUSINESS ACTIVITY)

Entrepreneur is the simplest form of running business activity in Poland provided for individuals. The basic features of a Entrepreneur include:

- profit-making purpose,

- it is organized,
- it is performed in a continuous manner,
- it is performed on one's (individual) own behalf and responsibility.

As a rule, when starting a business in such a form, one must register with the Central Register and Information on Economic Activity (hereinafter: CEIDG), i.e. in the register of entrepreneurs running a Entrepreneur in Poland but there are some exemptions in respect of registrations requirements.



2.4. CIVIL LAW PARTNERSHIP (PRIVATE PARTNERSHIP)

The most basic form of a partnership. This partnership does not have legal personality, hence, all rights and obligations that arise from its establishment are exclusively applicable to its partners. It can be established by a minimum of two: natural persons (individuals), legal persons (legal entities) or organizational units having legal capacity (e.g. partnerships).

Partners are not required to contribute any share capital in order to establish a civil law partnership. Nevertheless, it is essential to have a written partnership agreement. This document should include the economic objective of the partnership's operations. A civil law partnership does not require registration; however, each natural person who is a partner should be registered with the CEIDG. Moreover, a registration in GUS is necessary.

All participants of a civil law partnership are jointly and severally liable for the obligations of this partnership, taking into account all of their assets, including private ones. The partnership may keep its accounts in the form of a revenue and expense ledger (simple accounting) until it exceeds the statutory revenue limit of EUR 2 million. If it exceeds this limit, it must switch to the full accounting system, i.e. start keeping accounting books.

2.5. PARTNERSHIPS

2.5.1. GENERAL PARTNERSHIP

A general partnership is a commercial partnership that possesses legal capacity despite the absence of legal personality. Consequently, it has the potential to acquire rights and incur liabilities. This type of organisation can be established by a minimum of two: natural persons (individuals), legal persons (legal entities) or organizational units having legal capacity (e.g. other partnerships). It can also be established as a result of the transformation of a civil law partnership.

The articles of partnership must be concluded: i) in writing, or else they will be invalid, ii) in the form of a notarial deed: if a partner's contribution includes real estate, iii) with signatures confirmed by a notary: if a partner's contribution includes an enterprise, iv) through the Internet in the S24 system - if the contributions are made only in cash.

Additionally, an entry must be recorded in the National Registration Court (hereinafter: KRS).

The partnership is a separate legal entity from its partners and, in order to start its activity, it should have the assets specified in the articles of partnership. The assets are created as a result of contributions made by the partners. Contributions may be in cash, in kind or consist of the provision of services to the partnership. In exchange for the contributions made, the partners receive shares (specific rights) in the partnership.

The partners are jointly and severally responsible for the liabilities of the general partnership, which also extends to their personal assets.

The partnership may keep its accounts in the form of a revenue and expense ledger (simple accounting) until it exceeds the statutory revenue limit of EUR 2 million. If it exceeds this limit, it must start keeping full accounting books.

2.5.2. PROFESSIONAL PARTNERSHIP

A professional partnership can be formed by a minimum of two individuals (natural persons) who are qualified to exercise a liberal profession (i.e. lawyers, medicine doctors, architects etc.). This partnership does not have a legal personality, however, it possesses legal capacity. The absence of mandatory share capital is a substantial benefit of this form of partnership. To establish this partnership, a written agreement must be executed (no notarial deed needed in this case unless the partner's contribution is real estate or an enterprise).

The partnership is a separate legal entity from its partners and, in order to start its activity, it should have the assets specified in the articles of partnership. The assets are created as a result of contributions made by the partners. Contributions may be in cash, in kind or consist of the provision of services to the partnership. In exchange for the contributions made, the partners receive shares (specific rights) in the partnership.

Registration in KRS is mandatory for this partnership. The partnership may keep its accounts in the form of a revenue and expense ledger (simple accounting) until it exceeds the statutory revenue limit of EUR 2 million. If it exceeds this limit, it must switch to the full accounting system, i.e. start keeping accounting books.

This partnership is accountable for its debts and obligations with respect to all of its assets so are its partners. However, a partner is not liable for debts and obligations which arise in connection with the exercise of a liberal profession by another partner in the partnership.

2.5.3. LIMITED PARTNERSHIP

The limited partnership does not have a legal personality, however, it possesses legal capacity. It can be established by a minimum of two partners, one of whom will serve as the general partner and the other as the limited partner. A general partner has the right to represent the partnership individually whereas limited partner may represent the partnership only as a proxy.

In order to start its activity, this partnership should have the assets specified in the articles of partnership. The assets are created as a result of contributions made by the partners. Contributions may be in cash, in kind or consist of the

provision of services to the partnership. In exchange for the contributions made, the partners receive shares (specific rights) in the partnership.

There is joint and several liability of the partnership and its partners. If the assets of the partnership are not sufficient to repay the debts and obligations, the liability for the debts rests with the partners. The liability of the partners depends on their status in the partnership:

- the general partner is liable with all his assets without limitation
- the limited partner is liable up to the comandite sum.

A limited partnership is not subject to a specific minimum share capital requirement. In order to establish such a partnership, it is necessary to register it in the KRS and execute a notarial deed agreement. The partnership is obliged to keep full accounting records, i.e. it must keep accounting books and prepare financial statements.

2.5.4. LIMITED JOINT-STOCK PARTNERSHIP

A limited joint-stock partnership is a form of organization that possesses legal capacity but no legal personality. It is established by a minimum of two partners: a general partner and a shareholder. Each partner (general partner and shareholder) has the right to share in the profits, and general partners have the right to run the partnership's affairs.

There is joint and several liability of the partnership and the partners having the status of general partners. If the assets of the partnership are not sufficient to repay the debts and obligations, the liability rests with the general partners. In principle, the shareholder is not liable for the debts of the partnership. However, if the partnership contracts an obligation exceeding its assets, the shareholder's contribution will be used to repay the debt incurred.

In order to establish a limited joint-stock partnership, it is necessary to register in KRS and execute partnership's agreement in the form of a notarial deed. The are contributions to be made by each shareholder and general partner. The minimal share capital has been established at PLN 50,000 (ca. EUR 11,000). The share capital may be financed by cash contributions or in-kind contributions. This partnership is obliged to keep full accounting records, i.e. it must keep accounting books and prepare financial statements.

3. LABOUR LAW REGULATIONS AND OTHER FORMS OF CONTRACTS (CIVIL LAW AGREEMENTS)

Types of employment in Poland:

- Employment agreements
- Civil law agreements

Some of the specific rules apply to the employment of foreigners (3.3).

3.1. EMPLOYMENTS AGREEMENTS

Apart from the general provisions of law, all of the available employment agreement types are based on the rules of the Labour Law, which regulates the relationship between employers and employees in every major aspect. In practice, there are **three main types of contracts**, based on the working time and relation to the scope of commitment between involved parties (employer-employee).

The most complex, comprehensive type of contract in Poland is based on Labour Law. The employment agreement offers an employee a full spectrum of social benefits as well as the highest level of long-term employment stability. Its written form should be signed and concluded before the employee starts to work.

Moreover, it should be made entirely in written form, with clearly stated and listed aspects such as:

- working time,
- remuneration,
- place of work,
- list of duties,

- date of the contract conclusion,
- date of start of the employment,
- termination conditions,
- GDPR permits
- form the work should be performed (on-line/hybrid/in office)

Every particular change made in the content of an initial agreement must be annexed, also solely in the written form. The employer can choose from **three variants** of employment agreements:

1) **agreement for a trial (probationary) period** – commonly used as a first agreement - can be concluded for a maximum of 3 months,
2) **agreement for an definite period** – can be concluded for a maximum of 33 months,
3) **agreement for an indefinite period** – when the employment goes beyond 33 months.

The fourth consecutive employment agreement (given the unchanged place of work, job title, and scope of duties) must be set for an indefinite period – the continuous string of definite term contracts that goes beyond 33 months is prohibited by the provisions of the law.

According to Labour Law, through the establishment of an employment relationship:

- an employee undertakes to perform work of a specific type for the employer,
- under the employer's direction and at a place and time designated by the employer,
- the employer undertakes to employ the employee for remuneration.

The Labour Law also guarantees employees a catalogue of privileges. Employees are entitled to e.g. annual leave, sick leave, employment protection against dismissal, as well as rights related to parenthood such as maternity leave, paternity leave, parental leave. Notice periods apply in situations of termination of employment agreements.

The provisions of the employment agreement cannot be less favourable than those under the Labour Law, e.g. the employer cannot agree with the employee that they will be entitled to less vacation leave than under the Labour Law, nor can it introduce a shorter notice period. In such a case, the provisions of the employment agreement will be invalid.

If an employment agreement is concluded with an employee who has a place of residence in Poland, the agreement must be drawn up in Polish or in a bilingual version. This rule also applies to foreign employees if they are residing in Poland. However, if the employment agreement is concluded with an employee who is a foreigner, the employment agreement or other labour law documents may also be drawn up in a foreign language at the request of the person performing the work, speaking that language, who is not a Polish citizen and who has been previously instructed about the right to draw up the agreement or other document in Polish.

Termination of an employment agreement

There are strict rules and specific timing regarding the termination of an employment agreement regulated by provisions of the Labour Law. An employment agreement can be terminated:

- by mutual agreement of the parties;
- upon a declaration made by one of the parties with a notice period (termination by notice);
- upon a declaration made by one of the parties without a notice period (termination without notice);
- after the expiration of the period for which it was concluded.

In general the period of termination notice of an employment agreement for an indefinite period and for a definite period depends on the length of employment with a given employer and amounts to:

- 2 weeks – if the employee has been employed for less than 6 months;
- 1 month – if the employee has been employed for at least 6 months;
- 3 months – if the employee has been employed for at least 3 years.

The termination notice has to be made in writing in cases other than concluding a mutual agreement – with periods of notice indicated above.

The Labour Law provides for restrictions on the possibility of termination of the employment agreement of certain categories of individuals. There is a prohibition on giving notice to certain employees. This prohibition applies, e.g. to:

- employees on sick leave;
- employees on vacation leave, maternity leave or unpaid care leave;
- pregnant employees;
- employees in pre-retirement age, i.e., with less than 4 years to obtain the right to a pension (if the period of employment allows them to obtain this right after reaching this age);
- employees who are protected union activists.

There are also other restrictions provided in this respect in Labour Law.

3.2. CIVIL LAW AGREEMENTS

Civil law agreements are more flexible in respect to performing services, duties and obligations as well as termination regulations. They civil law agreements are regulated by the Civil Law – not by provisions of the Labour Law. They give parties the opportunity to form the contractual provisions individually and quite freely.

Among civil law agreements we can distinguish contracts of mandate, contracts for specific task and B2B contracts.

3.2.1. CONTRACT OF MANDATE

Important aspects of the contract of mandate include the following:

- signed for a definite period;
- specifies certain work to be undertaken in the specific timeframe;
- there are no designated supervisor or daily working hours.

Furthermore, the contract of mandate is a diligent performance contract, which is why the conclusion of such a contract is primarily aimed at a specific action, not its outcome.

3.2.2. CONTRACT FOR SPECIFIC TASK

In a contract for specific task, the ordering party entrusts the commissioning party to perform a specific work for remuneration. Contract for specific task may concern a product, a task or a service. What is characteristic is that it has to lead to a specific, individualized result that may have a material form (e.g. a material object) or an intangible form (e.g. a website).

Some of the characteristics of work based on the contract of work include:

- flexible work time (as opposed to the 8-hour workday of an employment agreement);
- does not include direct supervision, defined workplace or schematic, repetitive job responsibilities.

3.2.3. B2B AGREEMENT (SERVICE AGREEMENT)

The business-to-business (B2B) agreement is concluded between two entrepreneurs, such as between a contracting party and a service provider. The B2B agreement is the equivalent of a contract of mandate, but with another set of benefits and shortcomings. B2B agreements are the most popular among the employees of international corporations and outsourcing companies from the creative, IT and media industries. This type of agreement is possible only if the contractor is a business entity. In fact, the B2B agreement is a self-employed contractor entering a partnership agreement with the other business entity (principal).

As for the distinctive features of the B2B contract:

- no specific place of work and time frame of work;
- no direct supervision from the principal, given that the two business entities are to be treated equally as partners;
- seniority (work experience) is not counted;
- no rights to paid vacation or sick leave.

Remuneration for services performed under the B2B agreement is payable based on the invoice issued by a service provider. When concluding a B2B agreement, minimum hourly wage regulations apply provided in separate regulations.

3.3. EMPLOYMENT OF FOREIGNERS

As a rule, the employment of foreigners (EU and non-EU residents) in Poland is governed by the same exact provisions of the Labour Law as for Polish employees. The only difference is in the rules of stay and work permissions.

3.3.1. EMPLOYMENT OF FOREIGNERS FROM EU, THE EUROPEAN ECONOMIC AREA (EEA) AND SWITZERLAND

Citizens of member states of the European Union, the European Economic Area (EEA) and citizens of Switzerland – differently as for foreigners from so-called third countries (i.e. non-citizens of these countries) – do not need to have a work permit.

They are also not required to obtain a visa or a temporary residence permit in Poland. In case of entrusting the performance of work to such a foreigner, it is sufficient to request a valid identity document from the foreigner before allowing him/her to work indicating the individual's citizenship.

The employment agreement concluded with the foreigner should also be written in a language that he/she understands, or at least should be translated to an employee before signing.

A citizen of a country belonging to the European Union, the EEA and a citizen of Switzerland is obliged to register his/her residence in Poland if it exceeds a period of 3 months. The application for registration of residence should be submitted by the foreigner no later than the following day after the expiry of 3 months from the date of entry into the territory of Poland. The application should be submitted to the governor with jurisdiction over the foreigner's place of residence. After registration, the foreigner is issued a certificate of residence registration of an EU citizen.

In case of this category of foreigners, the employer or principal is not responsible for irregularities regarding the foreigner's stay in Poland.

Importantly, the foreigner's failure to comply with his/her obligations does not give grounds to consider the work performed by such a foreigner as illegal and to apply sanctions on this account against the employing entity and the foreigner.

In addition, it is allowed to employ a foreigner from a third country without obtaining a work permit, if he/she accompanies a citizen of an EU/EEA country or Switzerland on the territory of Poland - as a member of his or her family.

3.3.2. EMPLOYMENT OF NON-EU FOREIGNERS

For citizens of non-EU countries, obtaining the work permit is necessary and cannot be bypassed, unless one of the following requirements is met:

- the citizen has the status of a family member of an EU/EEA/Switzerland citizen,
- has a valid Polish Charter (Polish Card),
- is a recipient of international protection in Poland,
- has a residence permit in the Poland
  - permanent (for EU long-term residents; for humanitarian reasons; for higher education purposes),
  - temporary (in order to join the family; as a result of marriage with a Polish citizen),
- has a permit for a tolerated stay in the Republic of Poland,
- graduated from a Polish upper-secondary school, universities/colleges.

4. TAXATION

The Polish tax system is relatively young (established in the early '90s), but it has rapidly evolved over the years, both in terms of the regulations themselves, as well as the treasury (tax audits), development of tax judicatory, and digitalization.

In particular, in recent years, it has undergone a number of changes in order to seal the tax system. Some of the changes resulted from the need to implement EU directives, or were inspired by the OCED work focused on prevention of base erosion and profit shifting (the so-called BEPS package). Many changes however were aimed at simplifying the tax system (e.g. the SLIM VAT package – a series of changes aimed at simplifying and limiting ineffectiveness in VAT settlements and reporting), introducing digital reporting (e.g. introduction of Standard Audit File) and digitalization of tax settlements, as well as introducing new tax reliefs (such as IP BOX, automation relief or introduction of a lower 9% corporate income tax rate for so-called small taxpayers).

Further, in recent years Poland has also introduced new regulations supporting the tax certainty and tax attractiveness of investments, such as:

- **Polish Investment Zone** which allows - under certain conditions - to obtain corporate income tax exemptions on income from investment
- **Investment Agreement** - a tax ruling dedicated to strategic investors which may cover all key tax aspects of the investment
- **Co-operative compliance program** - a newly introduced solution involving an agreement between the taxpayer and the Head of the National Fiscal Administration which grants more tax certainty on tax settlements and additional tax preferences (in particular in terms of, i.a. required tax compliance)
- **Investors's desk** - a "one stop shop" for investors, dedicated both for the process of concluding the Investment Agreement and for the ongoing tax service of the investor.

The Polish tax system distinguishes between direct and indirect taxes. Also there are targeted taxes in Poland.

Direct taxes:

- personal income tax (PIT)
- corporate income tax (CIT)
- tax on civil law transactions (CLAT)
- real estate tax
- transportation tax
- inheritance tax
- agricultural and forestry taxes
- tax on dogs

Indirect taxes:

- tax on goods and services (VAT)
- excise tax
- game tax

Targeted charges/levies, i.e.:

- tax on certain financial institutions
- sugar tax
- retail tax

Below we present the most important information regarding taxes in Poland.

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4.1. PERSONAL INCOME TAX (PIT)

Personal income tax (PIT) in Poland is payable by any natural person (resident or non-resident) from its annual income from sources that include, among others, employment agreements, personal services, income from capital and property rights and non-agricultural business activity.

The personal income tax uses the residence factor. It means that Polish residents are taxed on their total, global income (unlimited tax obligation), whereas non-residents are taxed on income earned in Poland (limited tax obligation).

4.1.1. Tax residency

The residency status is important in the context of PIT because it affects the calculation range (which sources of revenue count) and the amount of the tax itself.

4.1.1.1. Residents

One may acquire the status of a tax resident in Poland if he/she is a natural person and:

- has your centre of personal or economic interests (centre of vital interests) in Poland, or
- spend more than 183 days in a fiscal year in Poland.

These rules apply taking into account Double Tax Treaties (DTT).

If one is considered a tax resident in two countries, he/she is subject to the conflict-of-laws rules set out in the relevant Double Tax Treaty.

Polish residents for personal income tax purposes are taxed on their entire annual income, regardless of the source and localization of such an income.

One can confirm his/her tax residency in Poland by obtaining a certificate of tax residence which is issued by the tax office on the CFR-1 form.

4.1.1.2. Non-residents

If one does not have the status of a tax resident in Poland, he/she is a non-resident. As a non-resident, one declares only income generated from the sources situated in Poland. Such a person is subject to limited tax liability.

The non-residents are liable to the PIT obligations only regarding the income with the Polish source, which means one of the following:

- working place is situated within the territory of Poland or through the permanent establishment in Poland,
- services (various types) are provided on the Polish territory,
- the real estates – as a source of income arising from ownership rights or rental – are located in Poland.

The income accumulated outside of the territory of Poland is a subject to other regulations, i.e. Double Tax Treaties.

4.1.2. Tax number

PESEL is a primary tax identification number in Poland. An individual needs a PESEL number in contacts with tax authorities. PESEL is used, for example, by employees. NIP is an alternative tax identification number to PESEL.

NIP is required in certain other circumstances e.g. self-employed individuals, VAT payers.

4.1.3. Sources of revenue subject to PIT

The Polish PIT Act provides the following sources of income:

The Personal Income Tax Act does not apply i.e. to revenues subject to the provisions on tax on inheritance and donations, revenues from actions that cannot be the subject of a legally binding agreement, or revenue subject to tonnage tax.

4.1.4. Taxation of employment income

Individuals in Poland are subject to personal income tax calculated, as a rule, according to a progressive tax scale.

Income from the employment relationship includes, i.e.:

- Base remuneration
- Cash payments
- Benefits in kind or their equivalents
- Additional payments and benefits: overtime pay, allowances, awards
- Value of other free benefits (e.g. company's car, apartment rented by the employer, fees for medical insurance, any other services/fees financed/borne by employer for the employees and their family members)

PIT tax advances are calculated on a monthly basis by the employer.

The income is taxed according to the tax scale:

Income	Tax rate
Less than PLN 120,000	**12%** minus the tax-reducing amount PLN 3,600
Exceeding PLN 120,000	PLN 10,800 + **32%** surplus over PLN 120,000

* Monthly tax reducing amount – PLN 300 PLN – is available regardless of the amount of income

4.1.5. Incentive schemes – preferential tax regime

In case of gratuitous or partial paid acquisition (taking up) of shares, the Polish PIT Act allows, upon fulfilment of certain conditions, to postpone the moment of income taxation until the time of realization of profit from the disposal of shares.

In such a case income:

(i) will arise only at the moment of paid disposal of the shares,
(ii) will be qualified as income from capital gains, taxed at 19%,
(iii) a Polish employer is not burdened by the obligation of a payer of advances for Polish PIT/Polish social security contributions.

Conditions to be fulfilled in order to postpone the moment of income taxation until the time of realization of profit from the disposal of shares:

- a person acquires or takes up shares in the company from which he or she receives income from an employment agreement or activities performed personally, or in the company which is the parent company (under Polish Accounting Act) of the company from which he or she receives said income,
- the registered office of the joint-stock company is located in the territory of Poland, the EU, the EEA, or in a country with which Poland has concluded a double taxation agreement,
- the acquisition (taking up) of shares is factual in nature - it may take place directly or as a result of exercise of rights arising from derivative financial instruments, or exercise of rights arising from securities referred to in Art. 3 item 1 letter b) of the Polish Trading in Financial Instruments Act, or exercise of other property rights,
- the acquisition (taking up) of shares happens within the framework of a remuneration system established on the basis of a resolution of the general meeting of the joint-stock company from which the person obtains income from an employment relationship or activities performed personally, or of the joint-stock company that is the parent in relation to such a company.

4.1.6. Business activity

Each Entrepreneur is obliged to calculate his/her tax and contributions due.

Entrepreneurs in Poland may be taxed according to the following taxation methods:

- Tax scale (12%/32%);
- Flat rate tax (19%);
- Lump sum tax imposed on revenue from 2% to 17% (rates vary in terms of field of economic activity);
- Tax card (from 2022, only taxpayers who continue taxation in this form can use the tax card - they were already taxed in this way in 2021; entrepreneurs starting a business or planning to change the form of taxation cannot use the tax card).

4.1.7. Tax rates – special types of revenue

Certain income (revenue) categories are taxed in accordance with separate rules. The special tax regimes are applicable to i.e.:

- private lease (at the taxpayer's request – 8,5% tax on registered income up to PLN 100,000; for the excess over that amount, the lump sum tax rate amounts to 12,5% of revenues); this means that total private rental income will be taxed without the right to deduct costs of earning income (e.g. maintenance costs, utilities). However, if the taxpayer settles the rental as part of a business activity, the taxpayer can still use the general rules (tax scale), flat tax rate (19%) or lump-sum taxation. From 2023, spouses may benefit from a preference when settling private rental income by applying a higher 12.5% lump sum tax rate after exceeding the limit of PLN 200,000 (before 2023, the limit was PLN 100,000 for the sum of income of both spouses), regardless of whether they settle this income separately or decide to tax it entirely by one of them.
- dividends (19% flat tax);
- interest on savings (19% flat tax);
- gains from capital funds (19% income tax);
- gains from the sale of securities (19% income tax);
- selling private properties (as a rule, 19% income tax);
- awards in competitions, gambling, premium sale (10% flat tax);
- income of CFC (19% income tax).

Some revenue categories disbursed by Polish withholding agents to non-residents are subject to a flat-rate tax of 20% of the revenue.

These include i.e. proceeds from:

- serving on management or supervisory boards;
- civil law agreements;
- entertainment or sports activity;
- accounting services;
- legal and advisory services;
- advertising services;
- licence fees, know-how or copyrights.

In case of non-residents, tax rates resulting from a tax treaty may be applied and withholding tax may be exempted if the non-resident furnishes a certificate confirming its place of residence for tax purposes. In the case of taxpayers who do not disclose their sources of revenue, income determined by the tax authorities is taxed at the penalty rate of 75%.

4.1.8. Tax credits

In the annual return, under certain conditions, one may deduct from his/her taxation basis (income):

- social security contributions,
- internet expenses. This would be possible only in two consecutive tax years. The annual limit of deduction is PLN 760,
- expenses for rehabilitation purposes of the taxpayer or a disabled dependent,
- return of unduly received benefits that previously increased the tax base,
- donations for public benefit purposes, religious worship, blood donation. As a rule, the amount of deduction may not exceed 6% of the income. The limit does not apply to donations for church's charity and care activities
- payments to an individual retirement account, up to the statutory limit updated every year. In 2024, the limit amounts to PLN 9,388.80 (or PLN 14,083.20 for the taxpayers running business activity).

Moreover, the Polish PIT Act provides for several additional tax reliefs, which aim to exempt the amount of PLN 85,528 per annum from taxation:

- relief for young workers (up to 26 yo.),
- relief for return (relief for taxpayers transferring their tax residence to Poland after December 31, 2021 – additional conditions apply),
- relief for families at least with four children (relief for parents / legal guardians bringing up at least 4 children),
- relief for working pensioners (relief for taxpayers over 60 (woman) / 65 (man) who have the right to pension, but continue working).

If one or more reliefs is applicable to a taxpayer, the income of PLN 85,528 is not subject to tax. All reliefs apply to the same limit at the same time, but the exemption limit cannot be multiplied.

The above four reliefs are applicable to:

- employment income,
- income from contracts of mandate,
- income from business activity (in various forms of taxation; this exemption is not covered by the relief for young workers),
- maternity benefits.

If a taxpayer determines that the relief may be applied, he/she should inform and submit a statement to the employer.

4.1.9. Tax returns

Each taxpayer is obliged to submit their annual PIT return, until 30th April of the following tax year.

Different sources of income are reported on different tax forms. In case of employees, the mostly used forms are:

- PIT-37 (for taxpayers obtaining income via remitters, e.g. for employees),
- PIT-36 (for taxpayers who obtained incomes without remitters, e.g. for entrepreneurs taxed according to the scale),
- PIT-38 (for taxpayers gaining capital income).

As a rule, taxpayers file separately. Spouses who are tax residents in Poland may, upon meeting certain requirements, file a joint tax return on taxable income according to the tax scale.

The following individuals are also permitted to file jointly:

- spouses with a place of residence in an EU Member State or European Economic Area Member State or Switzerland,
- spouses of whom one is subject to an unlimited tax obligation in Poland and the other has a place of residence outside Poland, but in another EU or EEA Member State or in Switzerland,

- if (in both cases) they have reached the revenue threshold taxable in Poland in a total amount of at least 75 per cent of the total revenue earned by both spouses in a given taxable year and have documented, with a certificate of residence, their place of residence for tax purposes.

Special rules of taxation apply also to individuals filing as single parents and non-Polish tax residents who intend to leave Poland before the deadline for submitting annual tax return.

4.1.10. Exit tax

The base for taxation is unrealized capital gains received by:

- individuals within their business activity, (assets moved out of Poland)
- individuals who are not entrepreneurs. (result of losing Polish tax residency).

Exit tax regulations may apply both to employees leaving Poland to work abroad and to foreigners assigned to work in Poland, who decide to leave Poland after the end of their assignment. The regulation shall be applied only if the taxpayer has been a Polish tax resident for at least five years within 10 years period before the change of the tax residence.

The exit tax basis shall be calculated as the surplus of the market value of the transferred asset, determined at the date of transfer, over its tax value. The basic exit tax rate is 19% for CIT and PIT taxpayers. If the tax value of an asset is determined. However the lower tax rate of 3% may be applied for taxation of personal income. The lower rate applies when the tax value of an asset cannot be determined.

The transfer of assets with a market value exceeding PLN 4,000,000 is taxable in Poland. The taxpayer is obligated to pay the exit tax by the 7th day of the month following the month in which the income arose. Within the same period, the taxpayer is obligated to file a tax return and report the amount of income subject to exit tax.

4.1.11. Solidarity tax

The solidarity levy applies to the taxpayers whose annual income from the sources of income determined in the Polish tax act (i.e. employment income, business activity, capital gains) exceeds PLN 1,000,000. The solidarity tax is payable at a rate of 4% on the surplus of total income above PLN 1,000,000 obtained in the tax year. When determining the basis for calculating the solidarity levy, social security contributions may be deducted. Income to which the solidarity levy applies does not include income subject to a flat rate tax (e.g. interest and dividend income).

The taxpayer is obliged to pay the solidarity levy by 30th April of the following tax year. Within the same period, the taxpayer is obliged to file a declaration on the amount of the solidarity tax – DSF–1.

4.2. CORPORATE INCOME TAX (CIT)

4.2.1. Overview

The provisions of EU directives have been implemented into the Polish taxation system.

CIT rate (basic)	19%
CIT rate for small taxpayers and taxpayers starting their activity does not apply to capital gain – in the tax year of starting their activity	9%
CIT rate on shifted income	19%
Flat rate CIT regime's tax rate	20%
CIT on commercial real estate	0,035%
Withholding tax	
• Dividends	19%
• Interest	20%
• License fees	20%
• Intangible services	20%

A small taxpayer is a taxpayer in whose case the value of revenue from sales (including the amount of output VAT) did not exceed in the preceding tax year an amount being the equivalent of EUR 2 million.

CIT taxpayers include:

- limited liability companies, joint-stock companies and other legal entities;
- corporations in formation;
- limited partnerships;
- limited joint-stock partnerships;
- general partnerships - where the partners are exclusively individuals and the partnerships fails to inform the tax authority about the partners entitled to profit;
- limited joint-stock partnerships having its registered office or management board in territory of the Republic of Poland;
- companies without legal personality having its registered office or management board in another state, if pursuant to the tax laws of another country are treated as legal entities and are subject to taxation in that state on their total income regardless of where it is earned;
- organisational units without legal personality except for civil partnerships and professional partnerships;
- tax capital groups.

Taxpayers with offices or place of management in Poland are subject to CIT in Poland on their worldwide income.

Non-resident companies are subject to CIT only on income from Polish sources (i.e. earned in Poland), unless a double tax treaty (DTT) provides otherwise.

Comparison of taxation on different types of activity (branch/company):

	Branch 9%/19% (lower rate is applicable up to EUR 2 mln of taxable revenues. The threshold is calculated as the sum of branch's and parent company's revenues)	Company 9%/19% (lower rate is applicable up to EUR 2 mln of taxable revenues)
Tax	19%	19%
Profit distribution	No tax on branch profit distribution.	19% WHT, with the option of an exemption or lower rate.
Rules of taxation	It is important to accurately allocate revenues and costs to the branch's activity, which in practice may cause problems due to the absence of detailed provisions.	The company is a separate taxpayer subject to CIT in accordance with general principles.
Introduction of separate accounting	Yes	Yes
Other comments	Possibility of deducting the CIT paid in Poland in the home country of the holding company. Some treaties provide for an exemption on income taxed in Poland.	Possibility of deducting WHT paid in Poland. In the case of a parent company with its registered office in the European Union, it is typically possible for dividends to be exempt.

4.2.2. Tax base

The CIT tax base is the sum of income from capital gains and income from other sources of revenues (e.g. operational income). The taxable income is calculated as a the difference between revenues and the costs incurred in earning it; if the difference is negative, the taxpayer declares a tax loss. In certain cases, revenue may be the taxable base.

CIT taxpayers have to calculate income from capital gains separately from operational income. Therefore, if the taxpayer earns income from only one of these sources, and in the second source incurs a tax loss – income from one source is taxed without deducting the loss incurred on the second source of revenue.

4.2.3. Sources of revenues under the CIT Act

Sources of revenues under CIT Act:

- **capital gains** – dividends, other revenues actually derived from participation in profits of legal persons and a limited joint stock person, the value of property received as a result of the liquidation of a legal entity or a limited joint stock person, revenues from the sale of shares of companies, revenues from the sale of receivables previously acquired by the taxpayer, revenues from property rights such as copyrights or related property rights, licenses, trademarks and know-how, revenue from securities, derivative financial instruments,
- **other revenues**, including revenues derived from operating activities – other revenues, including revenues derived from the sales of goods and services, etc.

4.2.4. Tax Loss

The tax loss:

- may be deducted from profit earned from particular source of revenue during five subsequent tax years ("loss carry-forward system""; the deduction in a single year cannot exceed 50% of the value of the loss; alternatively the tax losses of up to PLN 5 million can be set off against profits of one year, however, not deducted amount may be carried forward to the remaining five years, but it may not exceed 50% of the loss per year,
- the losses of business subject to transformation, merger, acquisition or division – in the event of a transformation of the legal form, a business merger or a division, with the exception of a transformation of a company which is a taxpayer of CIT into another company which will be a taxpayer of CIT are not taken into account for tax loss carry forward.

4.2.5. Distribution of profits

Dividends disbursed by corporations tax residents of Poland are subject to withholding tax at the 19% rate (WHT).

Tax treaties stipulate a lower withholding rate for dividends (5%, 10% and 15%) if certain conditions are met.

There is possibility of exempting dividends from WHT, when entity receiving income (revenue) from dividends, as well as other revenues qualified as dividends, is a company which is subject to taxation on the entire of its income in the Republic of Poland or in a European Union member state other than the Republic of Poland, or the Swiss Confederation or in another state of the European Economic Area, regardless of where it is earned.

The condition of the exemption is a continuous, two-year holding period by the company receiving the dividends required 10% (in the case of Swiss – 25%) of shares in the capital of the company paying the dividend. The prerequisite is also met, if this period has elapsed after the date of receiving the dividend.

Any exemptions and deductions shall apply on condition that legal grounds exist, whether resulting from an agreement for the avoidance of double taxation or a different ratified international treaty to which the Republic of Poland is party, for the tax authority to receive tax information from a tax authority in the state where the registered office of the taxpayer is located or where the income was earned.

An entity interested to make use of this exemption should possess:

- a current certificate of tax residence or a document of the existence of a foreign permanent establishment, the obligation to submit a current certificate of residence does not apply to companies resident in Polish territory;
- written statement confirming the lack of exemption from income tax on the entire income, regardless of where it is earned.

The definition of dividend also applies to income earned, among other cases, on a mandatory or automatic redemption of shares or a company liquidation.

For payments above PLN 2 million see point 4.2.9.

4.2.6. EU SAAR

Poland has introduced regulations implementing PSD SAAR. Under the anti-abuse rule, the tax exemption for inbound dividends and the exemption from withholding tax on outbound dividends would not apply if dividends were connected with an agreement, a transaction, or a legal action or series of related legal actions, where the main or one of the main purposes was benefiting from these tax exemptions and such transactions or legal actions do not reflect the economic reality and are used with the sole intention of obtaining a tax benefit detrimental to the substance and main purpose of the PSD.

For the purpose of the above rule, it is considered that a transaction or a legal action does not reflect the economic reality if it is not performed for justified economic reasons.

In particular, this concerns transferring the ownership of shares of a dividend-paying entity or in earning revenue by that entity which is then paid as a dividend.

PSD applies also to the interest and royalties outbound payments.

The introduction of PSD SAAR may significantly increase the interest of the Polish tax authorities in the examination of applicability of the PSD tax exemption to outbound dividends and interest / royalties payments. Given the vague wording of the Polish provisions implementing PSD GAAR, it is expected that they may raise controversies and the specific prerequisites of applying the PSD SAAR will be shaped mainly by jurisprudence of Polish administrative courts.

4.2.7. Tax on foreign earnings

Income earned by a Polish taxpayer from sources located abroad is subject to CIT and should be cumulated with income earned in Poland, unless the tax treaty states otherwise.

The tax paid abroad may be deducted from Polish CIT, but the deduction cannot exceed the amount of CIT due under Polish legislation (for the part classified as foreign income).

Dividends obtained from foreign sources may be exempt from CIT in Poland:

- if they are disbursed by companies with offices in an EU or EEA state or in Switzerland
- and the Polish company has held at least 10% (or 25% for companies with their registered office in Switzerland) of the shares in the company disbursing the dividends for at least two years.

The 2 year period may also elapse after the dividend disbursement date.

The company disbursing and the company collecting the dividend must be subject to CIT on their total income in Poland and in the EU/EEA state or in Switzerland. Income on the liquidation of foreign legal entities is not eligible for exemption.

Dividends obtained from companies with offices in a state with which Poland has concluded a tax treaty (other than EU/EEA states or Switzerland) are subject to 19% CIT. However, withholding tax paid abroad and, if other specific conditions are met, foreign CIT paid by a foreign subsidiary, can be deducted from Polish CIT (underlying tax credit). The deduction cannot exceed the CIT amount due under Polish law.

4.2.8. Withholding tax on interest, royalties and intangible services

Interest and license fees are subject to 20% withholding tax in Poland, but double tax treaties may stipulate a lower rate (5%, 10% or 15%). Some double tax treaties also stipulate a 0% rate on interest (e.g. those with Sweden, the United States or France).

In order to obtain a reduction of the WHT rate, a certificate of tax residence is required.

Poland implemented the Interest and Royalties Directive.

Therefore, interest payments between parent and subsidiary, subsidiary and parent and between direct sister companies (in all cases a minimum 25% interest and two-year holding period is required) are free from WHT, assuming that the receiving company is beneficial owner of the interest. If the interest rate on a loan is not at arm's length, the excess payment may potentially be challenged as not deductible under general rules.

The application of exemption depends also on whether the Polish company has the recipient's tax residency certificate and a statement that the recipient is subject to CIT on its total income in its country of residence, regardless of where the income is earned, and is not taking advantage of an exemption from CIT on its total income regardless of source.

In order to benefit from withholding tax exemption, recipient of interest shall be beneficial owner of received interest.

The above applies also to the royalties.

According to the definition, beneficial owner is an entity that meets jointly all of the following conditions:

- it receives a payment for its own benefit, takes individual decisions on its use and bears economic risk associated with the loss of this amount or its part;

- it is not an intermediary, representative, trustee or other entity legally or factually obliged to transfer all or part of the receivables to another entity;
- it conducts an actual economic activity in the country of its register office, if the
- receivables are obtained in connection with economic activity.

Although it does not directly result from the CIT Act, Polish tax authorities claim, that the beneficial ownership condition should be also met in the case of WHT exemption (or reduced WHT rate) on the dividend payments (i.e. not only in case of interest and royalties payments).

For tax exemption EU SAAR applies accordingly (see point 4.2.5.).

Payments for intangible services, such as advisory services, advertising, data processing, etc. are subject to 20% WHT unless otherwise stated by double tax treaties (double tax treaties concluded between Poland as a rule do not provide for WHT on payments for such services).

The 20% WHT exemption in Poland is conditional upon the disbursing entity holding the recipient's tax residency certificate.

To apply a reduced WHT rate or not collect the tax at all, if allowed by a double tax treaty or by specific regulations the remitter is required to exercise due diligence in verification of requirements provided by these regulations including in particular to determine the beneficial owner of receivables.

For payments above PLN 2 million see point 4.2.9.

4.2.9. Payments above PLN 2 million to a related entity

A tax remitter which makes interest, royalties or dividend payments to a related entity is required to calculate, collect and pay WHT applying standard rates specified in the CIT Act. If the total amount of receivables paid on the foregoing basis exceeds PLN 2 million in the tax year for the same taxpayer, the remitter is obliged to collect WHT according to the tax rate resulting from the CIT Act on the surplus over PLN 2 million and next apply for the refund i.e. „*pay-and-refund mechanism*".

The pay-and-refund mechanism would not apply if:

1) opinion on the application of preferences is received,
2) declaration of a management board of a Polish payer is executed, whereby:

- tax remitter obtained required documents, including certificate of residence obtained from taxpayer and written statement from taxpayer on meeting the certain conditions;
- after the verification, tax remitter has no knowledge justifying the assumption that there are circumstances excluding the possibility of applying the preferable tax conditions (tax exemption, reduced tax rate etc.).

At the request of the tax remitter or the taxpayer, the tax authorities will issue an opinion confirming WHT exemption or application of reduced tax rate under the double tax treaty.

Obtaining an opinion allows application of preferential rules for payment during its term of validity.

The tax authority have 6 months to examine the matter and issue an appropriate opinion. The fee for issuing such opinion amounts to PLN 2,000.

In the application, it is necessary to indicate that the conditions for using the abovementioned exemption or reduced tax rate (among others those referring to beneficial ownership and actual business activity) are met.

The opinion will be valid for 36 months from its issue, unless the circumstances on the basis of which it was issued change.

If the taxpayer/tax remitter fails to meet the conditions for application of the reduced WHT rate or WHT exemption, the WHT will be collected at the statutory WHT rates.

4.2.10. Real estate clause

Income from the sale of shares, all rights and obligations in partnerships, shares in investment funds as well as receivables being a consequence of holding shares in these entities if at least 50% of the value of assets of these entities comes from real properties located in Poland is taxable in Poland at 19%, unless a relevant double tax treaty provides otherwise.

4.2.11. Restructuring efforts

Poland has implemented the directive on a common system of taxation applicable to mergers, divisions, transfers of assets and exchanges of shares concerning companies of different Member States. Mergers, divisions and exchanges of shares concerning companies with seats in the EU may be CIT-neutral, provided that certain requirements are met with SAARs application.

4.2.12. Tax-deductible costs and depreciation

Tax-deductible costs are costs incurred to earn or maintain or secure a source of revenue that are not excluded by law from the tax-deductible cost category.

Taxpayers must document the costs incurred.

Tax costs also include expenditures for discontinued investments. The legislation contains a list of more than 60 items that are not regarded as costs for tax purposes. These include, e.g., accrued but unpaid interest, business entertainment costs (i.e. essentially costs of meeting contractors), administrative penalties and interest on overdue statutory payments, as a rule provisions established in accordance with accounting principles, car wear and tear allowances or car insurance premiums in the portion of the car value that exceeds the equivalent of EUR 20,000. Expenditures for the purchase of fixed assets and intangible assets do not constitute costs either, but depreciation write-offs made in accordance with applicable laws.

4.2.13. Interest

As a rule, the tax cost related to interest can be deductible at the time of its payment (cash method) - other than for accounting purposes where the rule is to allocate interest to costs at the time of accrual (accrual method). Exceptions include interest accrued until the date of handover of an asset for use.

4.2.14. Depreciation

As a rule, depreciation write-offs are based on the cost of acquisition or manufacturing of the depreciated asset.

The following depreciation methods are available:

- linear method (as a rule);
- reducing balance depreciation method - means higher costs in the initial depreciation period (applicable to some components: boilers and power generation machinery, basic and specialised machinery, devices and equipment, technical devices, movables and equipment and vehicles other than cars);
- one-off depreciation (for assets under PLN 10,000);
- custom rates (applicable to used or improved fixed assets, for example a non-residential building in use for more than five years may be depreciated over forty years minus the full number of years elapsed from the date of its initial handover for use until the date of entering it in the fixed asset and intangible asset register kept by the taxpayer, but the depreciation period cannot be shorter than ten years).

Entrepreneurs who in a given tax year launched economic activity and small taxpayers, can make use of the privilege, which is a one-time depreciation. As part of the relief entrepreneurs can make write-offs up to EUR 50,000 in a given tax year.

For assets depreciated using the linear method, the rate may be decreased in a given tax year by no more than the rate prescribed by tax legislation.

In case of a transformation, division, merger, in-kind contribution including a business or its organised part, buyers of fixed assets and intangible assets must carry on using the depreciation methods applied by the seller.

Depreciation does not apply to:

- the land and right of perpetual usufruct of land;
- expenditure incurred on their acquisition constitute tax deductible cost at the time of non-free of charge disposal (sale).

Depreciation rates and periods for tax purposes may differ from depreciation for accounting purposes.

Examples of depreciation rates and methods for selected assets:

Type of fixed asset	Linear method		Reducing balance method	
	Depreciation period	Annual depreciation rate (%)	Depreciation period	Annual depreciation rate (%)
Car – PLN 50,000	60 months	20% (PLN 10,000)	n/a	
Truck – PLN 100,000	60 months	20% (PLN 20,000)	30 months	40% (PLN 40,000 in the first year)
Computer – PLN 5,000	3 years	30% (PLN 1,500)	18 months	60% (PLN 3,000 in the first year)
Construction equipment – PLN 1,000,000	60 months	20% (PLN 200,000)	30 months	40% (PLN 400,000 in the first year)
Office building – PLN 10,000,000	40 years	2.5% (PLN 250,000)	n/a	

4.2.15. Leasing

Income from leases is subject to CIT in accordance with general principles.

Tax laws set out in detail two types of leases: operating leases and financial leases. Leased objects may include fixed assets, intangible assets and land (or the right of perpetual usufruct of land). Lease settlement for tax purposes may be different than for accounting purposes.

For both types of leases, upon contract termination, ownership may be transferred to the beneficiary. Since it is possible to enter the entire lease payment under tax costs, operating leases may be more favourable in terms of tax. It is also worth noting that contracts recognized as “operating lease” for tax purposes often fall within the definition of “financial lease” under IFRS regime.

	Operating leases	Financial leases
Lease payments	Lease payments, in their entirety, are a cost for the beneficiary and revenue for the financing party.	Lease payments are a cost for the beneficiary and a revenue for the financing party only in the interest portion.

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Depreciation	The financing party effects depreciation.	The beneficiary effects depreciation.
Term	At least 40 per cent of the statutory depreciation period (or at least 5 years for real properties).	Fixed term - no minimum or maximum.

4.2.16. Thin capitalization (costs of debt financing)

Costs of debt financing (both resulting from intra-group and external financing) is excluded from tax-deductible costs in part in which the surplus of costs of debt financing over interest- type revenues [the Surplus] exceeds PLN 3 million or 30% of the tax EBITDA in the tax year. The limit does not apply to the surplus of debt financing costs where it does not exceed the higher of the above thresholds.

- Tax EBITDA = (tax revenues – interest revenues) – (tax deductible costs – costs of debt financing not included in the initial value of the fixed asset or intangible assets – depreciation write-offs)

The costs of debt financing are all kinds of costs related to obtaining from other entities, including non-related parties, any funds and the use of these funds, in particular interest, including capitalized or included in the initial value of fixed assets or intangible assets, fees, commissions, bonuses, interest part of the lease instalments, penalties and fees for delay in payment of liabilities and costs of securing liabilities, including costs of derivatives.

The costs which are not deducted in a given year due to this limitation may be fully deducted in five subsequent tax years - within limits binding in these years. Some exceptions apply, including lack of possibility to carry forward interest in the case of merger, demerger or transformation.

Financial entities (banks, credit institutions, insurance companies) are not subject to thin capitalisation limitations.

4.2.17. Tax exemptions and credits

Legislation provides for a number of CIT exemptions, both subjective and objective. For instance, investment funds, pension funds, public service organisations, church organisations and special economic zone companies are exempt from tax upon meeting appropriate requirements.

Furthermore, CIT does not apply to agricultural business, with the exception of income from special departments of agricultural production.

4.2.18. Polish Investment Zone/Special Economic Zone

The Polish Investment Zone allows for exemption from taxation of income generated by a new investment, understood, i.e., as the establishment of a new plant or an increase in the capacity of an existing one. The exemption is based on a Decision on Support that can be obtained by operating in any part of the country.

The amount of tax exemption depends on the location of the investment and size of enterprise. The relief can be 10-50% for large companies, 20-60% for medium companies and 30-70% for micro and small enterprises.

The decision will not be given to an entrepreneur operating, among others wholesale and retail trade, facilities and works and the operation of gaming centres.

4.2.19. R&D CIT Relief

The R&D tax relief entitles to deduct up to 200% of costs incurred on research and development activities from the tax base (not withstanding their prior deduction as an ordinary cost under the general rules), if the taxpayer earned income other than income classified to capital gains source.

R&D activity includes any systematic scientific research or development work undertaken with the aim of increasing knowledge or creating new solutions.

The provisions contain a closed list of such expenditures, which should also qualify as tax - deductible costs under the general tax rules.

Qualified expenditures ought to be deducted in the year in which they were incurred, and if the taxpayer does not generate sufficient income or incurs a loss in this particular year, in the period of six consecutive fiscal years directly following the aforesaid year.

Any business can take advantage of the R&D tax relief, regardless of the industry or the organization size. It does not require any special applications or requests. Companies apply in Polish Investment Zone or Special Economic Zones are exclude.

Restrictions on the application of the relief may only result from the use of other forms of tax support, e.g. application of exemption on the basis of a Decision on Support.

4.2.20. IP BOX

The IP BOX relief is a mechanism to support research and development activities. It allows preferential taxation at the rate of 5% of the part of income from intellectual property rights that are subject to protection.

The relief is accounted for in the annual return, in which the amount of income covered by the preferential tax rate is indicated, but it can be used only in the calendar year following the one in which the activity was commenced.

To claim IP Box relief, a taxpayer must:

- carry out research and development activities;
- produce qualifying IP.

IP rights covered by the relief are:

- patent;
- a utility model;
- the right of registration of an industrial design;
- supplementary protection right for a patent for a medicinal or plant protection product;
- a right to register a topography of an integrated circuit;
- right of registration of a medicinal product and a veterinary medicinal product authorised for marketing;
- the exclusive right referred to in the Act on Legal Protection of Plant Varieties;
- a copyright in a computer program.

4.2.21. Robotization CIT relief

The tax relief is primarily addressed to manufacturing companies, automating their manufacturing process, regardless of the size of the company and the type of industry.

The robotisation tax relief allows for the deduction from the tax base of expenses incurred on:

- the purchase or lease of new robots and collaborative robots,
- the purchase of software,
- the purchase of accessories (e.g. tracks, turntables, controllers, motion sensors, end-effectors),
- training for employees to operate the new equipment,
- the purchase of occupational health and safety (OHS) equipment.

4.2.22. Prototype relief

The relief provides taxpayers with the ability to deduct 30% of the amount of trial production of a new product from their tax base. At the same time, the maximum deduction cannot exceed 10% of the income earned from sources of income other than capital gains in a tax year.

As costs can be considered expenses for production (e.g., acquisition of equipment, expenditures on improvements or materials) and costs for marketing the product (e.g., research, expertise or obtaining the necessary permits).

It can be used by any company that develops a new product not previously present on the market, distinguished by its technical performance, usability and functionality.

The product will have to be innovative on the scale of the company, not previously present on the market, which will develop its offer and allow it to reach new markets in the future.

4.2.23. Expanse relief

A taxpayer earning income other than income from capital gains may deduct from the tax base deductible costs incurred to increase income from the sale of products up to the amount of income earned in the tax year from income other than income from capital gains, but not more than PLN 1,000,000 in a tax year.

This relief applies only to products manufactured by the taxpayer.

The condition of increasing sales can be fulfilled in three ways; over a period of 2 consecutive fiscal years:

- the taxpayer has increased revenue from the sale of products in relation to revenue from such sales as determined on the last day of the tax year preceding the year in which these costs were incurred, or
- achieved revenues from the sale of products not previously offered, or
- achieved revenues from the sale of products not previously offered in the country.

Costs incurred to increase revenue from the sale of products are considered to be:

- costs of participation in the fair;
- costs of promotional and informational activities;
- costs of adapting product packaging to the requirements of contractors;
- costs of preparing documentation to enable the sale of products or entering into tenders.
-

4.2.24. Consolidation relief

A taxpayer who is an entrepreneur, earning income other than income from capital gains, may deduct from the tax base in companies engaged in activities identical to those of the purchaser. The maximum amount of the deduction may be PLN 250,000.

The expenditures that are covered by the relief are:

- legal services for the acquisition of shares and stocks and their valuation;
- notary, court and stamp fees;
- taxes and other public and legal dues paid in Poland and abroad.

Specific requirements need to be met for the relief to apply. It should be noted that expenditures for the mere acquisition of shares (stocks) are not covered by the relief.

4.2.25. Bad debts relief

The mechanism allows the creditor to reduce - subject to fulfilment some detailed conditions - the tax base by the amount of receivables included in revenues which have not been repaid or sold within 90 days from the payment date set by the parties in the agreement, on the invoice or receipt.

If the amount of the reduction exceeds the tax base, the deduction may be made in subsequent tax years (up to next three tax years) provided that the amount due was not settled or disposed of during that period.

In a case of tax loss in the source of income to which the transaction is related, the taxpayer is entitled to increase the value of the loss by the amount of the outstanding debt.

For debtors the provisions introduce an obligation to increase the tax base / reduce the tax loss by the outstanding amount.

4.2.26. Tax capital groups (PGK)

A "*tax capital group*" (tax consolidated group) may be formed for CIT purposes in Poland. Taxable income for the group is calculated by combining the income and losses of all the companies. A tax consolidated group formed and registered with the relevant tax authorities is treated as a separate taxpayer for CIT purposes.

Some of the requirements for establishing a capital group are as follows:

- a tax capital group may be formed only by limited liability or joint-stock companies based in Poland, provided that average share capital is not lower than PLN 250,000 (approximately EUR 58,140);
- the holding company should hold at least 75% of the shares in the other group companies;
- none of the members of the group can have tax liabilities towards the State Treasury (e.g. VAT, CIT);
- the holding company and the subsidiaries have agreed in writing to establish the capital group for at least three tax years. The tax agreement must be filed with the tax office;
- group companies do not take advantage of income tax exemptions under other acts (the use of an exemption due to activity conducted within a SEZ – does not preclude from establishing a PGK);

If all the above-mentioned restrictions are met the tax capital group may take advantage of the benefit i.e. the losses of some of the members of the tax capital group can be set off against the taxable income of its other members.

Tax capital group can lose the status of taxpayer retroactively (from the date of registration as a tax group) in case of breach of certain conditions. In such a case, companies forming tax capital group are obliged to reconcile CIT as independent taxpayers retroactively for past years. Tax capital group members will be obliged to set intra-group transaction terms at arm's length.

4.2.27. "*Estonian CIT*" regime/Lump sum CIT

Lump-sum tax on corporate income, or the so-called Estonian CIT regime, is a form of taxation in force as of 2021. It allows CIT taxpayers to defer payment of income tax (CIT) for 4 or more years, until the distribution of profits (dividends).

"*Estonian CIT*" is available to limited liability companies, joint-stock companies, simple joint-stock companies, limited partnerships or limited joint-stock partnerships in which the shareholders, stockholders or partners are exclusively individuals.

Companies can benefit from lump sum CIT if certain conditions are met (e.g., the company's shareholders, stockholders or co-partners should be individuals only, the company should not hold shares in other entities, the company's passive income should not exceed its operating income).

The method of taxation is chosen for a period of 4 years (after the end of this period, provided that the conditions are met, the taxation with lump sum CIT can be continued).

4.2.28. CFC (Controlled Foreign Corporation)

Polish entities are liable to 19% income tax on the profits earned by their controlled foreign companies (CFC).

A CFC is defined as:

- foreign corporations having their registered office or management board or which are registered or headquartered in a territory or country listed in the current notice of the minister responsible for public finance
- foreign corporations having their registered office or place of management board, or which are registered or headquartered on the territory of a country other than that specified in item 1, with which:
  a) Poland has not ratified an international agreement, in particular a double taxation treaty, or
  b) the European Union has not ratified an international agreement

- which constitutes the basis for obtaining tax information from the tax authorities of that country,

or

- foreign corporations that meet detailed conditions set forth in the Act regarding:
  a) the level of shareholding and the level of control exercised over the foreign corporation by Polish taxpayers and their related entities or other entities having their place of residence or office or management board in Poland (more than 50%);
  b) the level of income of these corporations from specific sources or the share of this income in the value of their assets;
  c) the amount of income tax actually paid by the corporations in relation to the amount of tax due if they were taxpayers having their registered office or management board in Poland (lower by at least 25%);
  d) requirements relating to the specification of assets of these corporations.

A Polish resident is obligated to:

- maintain a register of controlled foreign corporations;
- keep records of economic events in CFC;
- submit CFC tax return and pay a tax on CFC income.

The CFC taxation regime does not apply to entities if they are subject to taxation on the entire of the income in a European Union member state or in another state of the European Economic Area, regardless of where it is earned and they carry out their actual economic activity in that state.

4.2.29. CIT on commercial real estate

This tax covers commercial real estate classified according to the Classification of Fixed Assets as office facilities, shopping centres, department stores, independent stores and boutiques, and other commercial and service facilities with the initial value exceeding PLN 10 million.

Taxation with this tax does not apply to fixed assets where the depreciation write-offs with regard there have ceased as a result of the suspension cessation of business operations, nor does it apply to office buildings used solely or mainly for taxpayer’s own needs.

The taxable base is the revenues corresponding to the initial value of the fixed asset determined on the first day of each month resulting from the records maintained less the amount of PLN 10 million.

The tax amounts to 0.035% of the taxable base for each month. It is calculated and paid for each month by the 20th day of the following month. It is deducted from CIT advance payments and annual CIT.

4.2.30. CIT on shifted income

This tax was introduced to eliminate the possibility of obtaining tax benefits through tax schemes aimed at transferring income to tax jurisdictions with effective low tax rate, but in practise affect also payments to the USA, Switzerland or the UK or Canada.

The provisions on taxation of shifted income do not apply to the extent that the taxable costs were incurred for the benefit of an entity tax resident in a country in the EU or the EEA that carries on actual economic activity in such country.

The tax rate on shifted income is set at the same level as the basic corporate tax rate, 19%.

The shifted income is defined as costs incurred directly or indirectly for the benefit of an entity related to a Polish taxpayer, which is subject to tax according to the rate lower than 14,25%, provided that such a foreign taxpayer receives its revenues mainly from passive income/intangible services paid by related parties.

The costs that can fall within the range of the shifted income consist of intangible services, royalties, costs of transfer of risk of insolvency, debt financing costs (including interest paid and capitalized), remuneration for transfer of functions, assets or risks if the sum of these costs incurred in the tax year for the benefit of entities, including unrelated entities, constitutes least 3% of the sum of the tax deductible costs incurred in that year in any form, whereby to determine the

sum of these costs thin capitalization limitation (i.e. limitation of including in tax deductible costs the debt financing costs' surplus above PLN 3 million or 30% tax EBITDA in the tax year) does not apply.

Shifted income tax is settled and paid annually by the end of the third month after the end of the tax year and is not added to other income (revenues) of the taxpayer.

4.2.31. Taxation of real estate company

A real estate company means the company in which as at the last day of the previous fiscal year at least 50% of carrying amount of the assets constituted, directly or indirectly, the value of real estate located in Poland, and the value exceeded PLN 10 million. If the company is not a taxpayer of income tax - at least 60% of the company's revenues are revenues from rental, sublease, lease or similar agreements relating to real estate or rights to the real estate or shares in other real estate companies.

A real estate company is a tax remitter with respect to a CIT advance payment resulting from the sale of shares in this company. This mechanism transfers the tax settlement obligation arising from the sale of shares in the real estate companies from a foreign (i.e. non-Polish tax resident) seller to a real estate company which shares are subject to sale.

Real estate company whose shares are being sold is obliged to pay 19% CIT advance payment to a relevant tax office within 20 days from the beginning of a month starting after a month in which the income from the sale arose, if in particular:

- selling company is an entity not having its registered office or management board in Poland and
- shares being sold grant at least 5% of the voting rights in the company.

Seller as the taxpayer is obliged to provide the tax remitter with the amount of the advance CIT to be paid before the date referred to above. On the date of payment, the real estate company is obliged to send to the taxpayer the information about the advance payment (prepared in accordance with the specific form determined by the Ministry of Finance).

Direct and indirect shareholders of real estate companies (however only if they are taxpayers in Poland) holding directly or indirectly at least 5% of shares, stocks etc. are obliged to report real estate companies in which they hold shares, stocks etc.

The information should be submitted electronically within 3 months from the end of the tax year of the real estate company.

For the real estate companies without a registered seat or corporate management in Poland, located outside the EU or EEA (e.g. Switzerland, UK after Brexit) there is an obligation to appoint a tax representative in Poland.

4.2.32. Polish Holding Company (PHC)

The benefit of the PHC model is tax exemption on dividends received from subsidiaries (100% exemption), and tax exemption on the sale of shares (stocks) of a subsidiary to an unrelated party (100% exemption).

A holding company is an entity that fulfils all of the following conditions cumulatively for a continuous period of two years:

- is a limited liability company, a joint stock company, or a simple joint stock company not belonging to a tax capital group,
- holds continuously at least 10% of the shares (stocks) in the capital of the subsidiary,
- does not benefit from an exemption in a special economic zone or on the basis of a Decision on Support,
- conducts genuine economic activity,
- whose shareholder is not a tax haven entity.

A subsidiary is a company, that:

- does not belong to a tax capital group,
- Polish subsidiary: is a Polish limited liability company or joint-stock company;
- foreign subsidiary:

- is a legal person and is subject to income tax in a state other than Poland on all its income (and does not benefit from tax exemption on this income); and
- does not have a seat/registered office in a state or territory which is applying harmful tax competition (the so-called tax heaven).

4.2.33. Family Foundation

Family foundation is a new concept in Polish law. It was introduced in Poland to minimise the risk of unsuccessful succession and to ensure the continuation of business operations of an enterprise.

The family foundation is a separate legal entity that was established to accumulate property, manage it in the interest of the beneficiaries and to provide benefits to the beneficiaries.

A family foundation will generally be exempt from CIT. 15% CIT is due only on amounts distributed to beneficiaries. There is no personal taxation for close family members. For other beneficiaries there is 15% PIT.

4.2.34. Reporting on the tax strategy

There is an annual obligation to draw up and publish a report on the implementation of the tax policy by taxpayers whose revenue for the previous year exceeds EUR 50 million.

The report on the tax strategy executed in a given year should be presented by a taxpayer on the website in Polish, within 12 months from the end of each tax year. The website address should be also provided to the head of the tax office.

The scope of provided information is very wide and covers, i.e. information on:

- procedures used by the taxpayer to manage the performance of obligations that arise from the provisions of tax law;
- voluntary forms of cooperation with tax authorities;
- the taxpayer's performance of tax obligations in the territory of Poland, together with the number of submitted information on tax schemes;
- transactions with related entities which value exceeds 5% of balance sum of assets;
- planned or undertaken restructuring activities;
- applications for tax rulings submitted by a taxpayer;
- binding rates and excise tax;
- tax settlements in countries applying abusive tax practices.

Failure to send the head of the tax office information on the address of the website on which the strategy has been published may result in a fine of up to PLN 250,000.

4.2.35. Monthly CIT advances, annual returns/CIT withholdings

As a rule, the tax year covers twelve consecutive months, but in the course of business, taxpayers may modify the tax year pattern adopted.

CIT monthly advance payments must be paid by the 20th of every month. There is no requirement to file monthly tax returns.

Annual tax return CIT-8 is filed by the end of the third month after the end of each fiscal year (a taxpayer may opt for a tax year different from calendar year). Electronic filing is mandatory. The tax resulting from this return must also be paid by the above deadline. WHT reporting is are at the same time.

4.2.36. Minimum income tax

Poland implemented new regulations regarding the minimum Corporate Income Tax (CIT) on January 1, 2024. Companies with Polish tax residency and domestic tax capital groups will be subject to this **10% minimum tax** during the tax year, provided that certain conditions are met.

This tax is to be paid by the companies which in the tax year:

- have suffered a tax loss from a operational activity (other than capital gains) or
- show a specific, low profitability ratio in the operating activity (no more than 2% share of tax income in tax revenues).

The legislation provides guidelines for determining a loss for minimum tax purposes, meaning that an accounting loss may not always result in minimum taxation.

The tax outcome will be adjusted by factors such as depreciation write-offs, leasing costs, and 20% of employment costs, among others. These items are to be excluded from the minimum tax calculation. Consequently, after deducting these expenses, the taxpayer's income will rise. If the tax profit, calculated after these adjustments, exceeds 2%, then the minimum tax will not be applicable.

4.2.37. Pillar 2 Minimum Tax

Pillar 2 is a set of rules developed by OECD imposing on large multinational enterprises (MNEs) groups and large-scale domestic groups an obligation to pay a top-up tax, so that the group's effective tax rate is **not lower than 15% in a given country.**

The Polish legal system will implement the provisions of Council Directive (EU) 2022/2523 of 14 December 2022, which ensures a global minimum level of taxation for international groups of enterprises and significant domestic groups in the European Union, effective 1 January 2025.

The new tax will be imposed on capital groups with consolidated accounting revenues of EUR 750 million or more and subsidiaries in other countries, including foreign headquarters with subsidiaries in Poland and groups with headquarters in Poland that control subsidiaries in other countries.

If the effective tax rate (ETR) is **less than 15%**, these entities will be obligated to pay an additional tax in accordance with the specific guidelines for operations in a particular country. This pertains to the effective tax rate that is determined for all entities from all subsidiaries that are operating in a specific country.

If the effective tax rate in any of the jurisdictions is less than 15%, one of three forms of equalisation tax will be imposed:

1. **Global Minimum tax** - paid by the ultimate parent entity in the group.
2. **Domestic Minimum tax** - levied in Poland, where the low-taxed component units of the group are located.
3. **Tax on undertaxed profits** - allocated to countries with component units based on the allocation key. These regulations impose an obligation to pay minimum tax from the parent entity to the group units located in a given jurisdiction, in a situation where the parent entity:
   a. operates in a jurisdiction that does not impose a global minimum tax, or
   b. when the effective tax rate in the jurisdiction of the ultimate parent entity is less than 15% and the qualified principle of including income in taxation applicable in the jurisdiction of this entity does not apply to entities located there, or
   c. when the parent entity is an entity that is exempt from such a taxation.

4.3. TRANSFER PRICING

4.3.1. Overview

Polish transfer pricing rules generally follow the OECD guidelines. Thus, transactions between related parties need to be concluded at arm's length. If related party transactions are concluded on non-arm's length terms and as a result, a taxpayer reports taxable income lower than it would otherwise have disclosed, tax authorities may adjust the taxable income of the taxpayer.

4.3.2. Transfer pricing methods

Polish entities have to verify conditions of transactions with their related parties with methods defined in the Polish transfer pricing regulations and are obliged to present such verification in the transfer pricing documentation.

Under TP regulations taxpayers can choose one of the five OECD methods (comparable uncontrolled price method, cost plus method, resale minus method, profit split method or transactional net margin method), but, in addition, the catalogue of transfer pricing methods was extended by other methods (including in particular valuations) that may be used, if any of above mentioned five methods indicated directly in the regulations cannot be used.

Starting from TP obligations for 2019, methods for determining the market value of transactions were regulated, stating that the most appropriate method should be used to determine the transfer price, taking into consideration conditions determined or imposed between related entities.

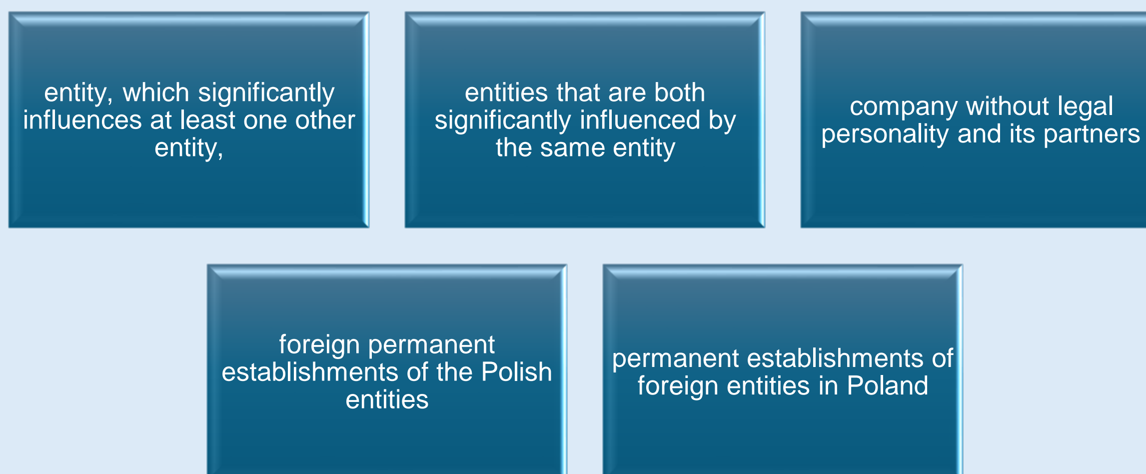
4.3.3. Safe harbours

Starting from TP obligations for 2019, transfer pricing safe harbours were introduced (subject to specific conditions), including:

- mark-up on costs for low-value added services that could be considered arm's length,
- interest rates for some intra-group loans that could be considered arm's length.

4.3.4. Definition of related parties

Starting from TP obligations for 2019, the redefinition of related parties was introduced, and the following parties are considered related:



Exercising significant influence includes

(i) owning at least 25% of shares in capital or profits,
(ii) at least 25% of votes,
(iii) factual ability to influence significant decisions, or (iv) personal relations.
(iv)

4.3.5. Waiver of transfer pricing documentation requirements

The transfer pricing documentation for the following transactions is not required to be prepared beginning with the TP obligations for 2019.

- concluded between Polish entities that are not tax exempt and do not suffer tax losses,
- excluding financial and capital transactions, transactions related to investments, fixed assets, or intangibles, which permanently do not comprise taxable revenues or taxable costs,
- concluded within tax capital categories,
- concluded between entities that are only connected by state or municipality.

Based on Polish New Deal tax reform, starting from TP obligations for FY2022, the new list of transactions for which local file documentation is not obligatory is broadened by:

- domestic transactions with a PE,
- transactions covered by the so-called a tax or investment agreement,
- transactions covered by the safe harbour mechanism for loans, credits, bonds, and the so-called pure reinvoicing payments (but under additional conditions).

The condition for exemption from the obligation to prepare local documentation for domestic transactions in form of not incurring a tax loss by the parties to the transaction has been relaxed.

4.3.6. Transfer pricing documentation thresholds and documentation requirements

Starting from TP obligations for 2019, transfer pricing documentation have to cover:

- financial and tangible (goods) transactions if they exceed the amount of PLN 10,000,000,
- intangible (services) and other transactions if they exceed the amount of PLN 2,000,000.

In accordance with the amendments to the provisions of Polish New Deal the threshold that applies to direct transactions with subjects that reside, are established (registered address) or have a management board in a tax haven has been raised to:

- PLN 2,500,000 - in case of a financial transaction and
- PLN 500,000 - in case of other transaction.

Master file has to be prepared by/for the entities that operate within the groups of related entities:

- for which consolidated financial statement are prepared,
- whose consolidated revenues for the previous year exceeded the amount of PLN 200,000,000 or its equivalent.

Polish Master file documentation formal requirements chases OECD approach.

The benchmarking obligation is applied to all subjects that are obliged to prepare a Local file due to exceeding the thresholds, irrespective of their revenue. Benchmarking studies should be prepared at least every three years, unless a change in the economic environment which considerably affects the prepared analysis justifies an update in the year of the change. The deadline for the preparation of the benchmarking study follows the deadline for possessing Local File documentation (10 months after the year-end).

Micro or small entrepreneurs within the meaning of the Entrepreneurs Act may benefit from the exemption from the preparation of a benchmarking analysis if they comply with the requirement of the Micro or small entrepreneurs in the previous year.

4.3.7. Transfer pricing reporting TPR form

Starting from TP obligations for 2019, certain entities are obliged to electronically submit a TPR form including data regarding transactions concluded with related parties.

Among the data that taxpayers are required to report, apart from

(i) general identification information

(ii) financial information, including the values of financial ratios measuring the financial position of the entity (i.e. operating margin, gross profit margin, return on assets, return on equity, share of operating costs with related parties in the operating expenses of the entity), it is necessary to distinguish data on individual transactions concluded with related entities:
(iii) the transaction party,
(iv) the type of transaction,
(v) value of the transaction (in case of financial transactions, both capital and interest has to be indicated),
(vi) the method of transfer price verification along with an indication of the value of the designated arm's length range, and
(vii) other additional information or explanations, including information on adjustments in transfer pricing and selected types of transactions.

TPR form is provided to the relevant head of the tax office once a year. Based on Polish New Deal tax reform, starting from FY2022 TP obligations the deadline for filing TPR-C shall be 11th month after the end of the taxpayer’s tax year.

It is pertinent to note that the taxpayer's exemption from the documentary obligation for some domestic transactions does not exempt from the obligation to include such transactions in the TP-R report.

Starting from FY2022 TP obligations new provisions introduced i.e. new financial ratio measuring the financial position of the entity (share of operating costs with related parties in the operating expenses of the entity), extension of information on transactions benefiting from the documentary exemption, additional information about comparability adjustments, new profit level indicators in TNMM.

The detailed scope of data presented in the TPR form, combined with the relatively easy to analyse data by electronic form, allows for more precise typing of entities for the purposes of transfer pricing audits - primarily through data on the taxpayer's financial results.

Starting from FY2022 TP obligations, the TPR form is to be e-signed and submitted in “xml” format instead of the PDF format.

4.3.8. Statement of the Board on transfer pricing

Under the TP regulations in force between 2019 – 2022, the statutory representatives of the Polish company were obliged to submit to the Polish competent authorities a statement confirming preparation of complete documentation as well as confirming that all taxpayer’s transactions were arm’s length.

Starting from TP obligations for FY2022:

- the statement on the preparation of local file documentation is a part of the TPR report (not a separate document as previously). In this statement, the taxpayer declares that the local file documentation has been prepared in accordance with the actual state of affairs and that the transfer prices covered by the documentation are determined on the arm’s length. What’s important, the arm's length principle will also be met in the case of gratuitous/partially paid benefits if the income from such benefits has been recognized for tax purposes;
- the TPR information shall be signed by the head of the entity within the meaning of the accounting regulations or in the event that the entity is managed by a multi-member authority - by a designated person who is a member of that authority. It is not allowed to submit this information by a proxy, with the exception of a proxy being an advocate, legal adviser, tax adviser or statutory auditor;
- the deadline for submitting the TPR form (and the statement as a part of it) shall be the end of 11 month after the end of the taxpayer’s tax year (exceptionally for FY2022 the deadline was extended by 31 January 2024);
- the deadline for preparing local file documentation shall be the end of the 10 month after the end of the taxpayer’s tax year (instead of the previous nine months); deadline for the taxpayer to submit local TP documentation when requested by the tax authority is 14 days.

4.3.9. Country-by-Country reporting

Taxpayers whose consolidated group revenues exceed the equivalent of EUR 750,000,000 are obliged to provide tax authorities with the Country-by-Country reporting (“*CBC-R report*”) covering information on their taxable income, their

tax paid, list of related entities and their country of residence, activities, number of employees and assets. Polish taxpayers that are members of MNE with foreign mother company also have to share such information with the Polish tax authorities by submitting CBC-P notification.

Based on the provisions of the tax information exchange with other countries Act in force since April 30, 2019, the deadline for submitting Country-by- Country notification is 3 months after the end of the reporting financial year of a given group of entities.

The deadline for the parent company to submit the CBC-R report is still 12 months from the end of the reporting financial year.

4.3.10. Tax penalties

Under the TP regulations in force since 2019, tax penalties are based on the additional tax liability provisions, including related to transfer pricing tax assessments:

(i) 10% penalty tax on overstated loss or understated income,

(ii) 20% penalty tax on overstated loss or understated income if tax base determined to impose additional tax liability exceeds PLN 15,000,000 – with respect to amount exceeding PLN 15,000,000 threshold only,

(iii) 20% penalty tax on overstated loss or understated income if no transfer pricing documentation is provided,

(iv) 30% penalty tax on overstated loss or understated income if both (ii) and (iii) occur,

(v) Since FY2022 TP obligations, penalties for not fulfilling transfer pricing documentation obligations are:

- for failure to prepare Local file documentation or which does not correspond to the actual state of affairs or failure to attach Master file to Local file - a fine of up to 720 daily rates,
- for preparation of documentation after the deadline - a fine of up to 240 daily rates,
- for failure to prepare a TPR or providing data therein which are inconsistent with the local transfer pricing documentation or with the actual state of affairs - a fine of up to 720 daily rates,
- preparation of TPR-C after the deadline - a fine of up to 240 daily rates.

Additionally, if the taxpayer does not provide the tax authorities with the CBC Report or notification concerning CBC reporting a penalty of up to PLN 1,000,000 may be applied.

4.3.11. Other issues – ORD-U form

Groups of entities are obliged to provide information on contracts concluded with non-residents by submitting ORD-U form by the end of the third month after the end of the taxpayer's tax year. The Regulation of the Minister of Finance extended the deadline for submitting ORD-U information to the tax authority from three to eleven months after the end of the tax year. The longer deadline applies to ORD-U information submitted for the tax year beginning after 31 December 2021. Since 2022 this obligation doesn't apply to entities required to file TPR form unless the entity carries out transactions with tax havens.

Legal entities, unincorporated organisational units, as well as natural persons carrying out business activities, are obliged to provide information on contracts concluded with non-residents by submitting form ORD-U by the end of the eleventh month after the end of the tax year of the taxpayer. From 2022 this obligation doesn't apply to entities required to file TPR form unless the entity carries out transactions with tax havens.

4.4. TAX ON CIVIL LAW TRANSACTIONS (CLAT)

Civil law transaction tax (CLAT) applies to specific transactions, which are:

- **sale and exchange agreements for items and property rights**,
- **loan agreements**, money or items designated only as to their type,
- donation agreements - in the part concerning the assumption by the donee of the debts and burdens or obligations of the donor,
- life annuity agreements,

- inheritance division agreements and agreements on the abolition of joint ownership - in the part concerning repayments or additional payments,
- establishment of a mortgage,
- establishment of paid usage, including irregular usage, and paid easement,
- irregular deposit agreements,
- **partnership / company's agreements**.

CLAT also applies to amendments to these agreements if the amendment results in an increase in the tax base for civil law transaction tax.

These transactions are subject to taxation provided that their subject matter is:

- items located in the territory of the Poland or property rights exercised in the territory of Poland, or
- items located abroad or property rights exercised abroad, if the acquirer has a place of residence or registered office in the territory of Poland and the civil law transaction was performed in the territory Poland.

In case of a **partnership / company agreement and its conversion**, it is subject to CLAT if at the time of performing the transaction there is a company / partnership in the territory of Poland.

- in case of a partnership - the registered office of that partnership
- in case of a capital company:
  - the actual centre of management or
  - the registered office of that partnership - if its actual centre of management is not located in the territory of another EU Member State.

Standard CLAT rates depend on the subject of the transaction:

- **0,5%** - for capital transactions and partnership / company's agreements (loans, share capital increase),
- **2%** - for sale of real estate (if the transaction is outside of VAT or is VAT exempt)**,**
- **1%** - on the acquisition of property rights executed in Poland or property rights executed abroad if the buyer is seated in Poland and the transaction was performed in Poland (in practice, shares/stocks are considered property rights),
- **6%** on the acquisition of sixth and subsequent apartment in the same building or in different buildings, but located on the same plot of land. In addition, CLAT will be due also if the acquisition of such apartment is subject to VAT.

Exemptions or exclusions for certain types of activities are also possible (e.g. exemption for certain shareholder loans).

4.5. REAL ESTATE TAX (RET)

Real estate tax applies to the following properties or structures:

- land (if not subject to the farming tax),
- buildings or parts of buildings,
- non-building structures or portions of non-building structures that are associated used for a business activity,
- agricultural land or forests occupied for business purposes.

The RET taxpayers are: individuals, legal persons, and organisational units without legal personality (including partnerships), which are:

- the owners or independent possessors of properties,
- possessors of properties that are state-owned, or
- permanent landholders.

Depending on a subject of taxation, the tax base of RET is:

- lands: surface area,
- buildings: usable floor area,
- non-buildings structures: initial value adopted for tax purposes, not reduced by depreciation write-offs or market value.

Tax rates are determined annually by local municipalities within the limits set by the central government. The maximum tax rates in 2024 are:

- land used for business activities: **PLN 1.34** per square meter
- buildings used for business activities: **PLN 33.10** per square meter
- residential buildings: **PLN 1.15** per square meter
- non-building structures: **2%** on their initial or market value

As a rule, tax obligation arises on the beginning of a first day of the month following the month in which circumstances justifying the creation of this obligation occurred.

If that circumstance is formation of a new building or a new non-building structure, the tax obligation arises on 1st January of the year following the year in which construction was completed or in which the use of the building or non-building structure or parts thereof was commenced before the final completion of the construction works.

Taxpayers who are individuals are obliged to:

- submit an information, within a specified period, on real estates and building structures,
- pay instalments proportionate to the duration of the tax obligation within following deadlines: 15th March, 15th May, 15th September and 15th November of the tax year under administrative decision issued by local tax authority every year.

Taxpayers being a legal entity or organisational unit, including partnership are obliged to:

- submit a declarations on RET for each the tax year,
- correct tax declaration in case of changes in the tax obligation (if circumstances justifying obligation to perform adjustment occur),
- pay amount of RET in instalments proportionate to the duration of the tax obligation within the 15th day of each month (and for January – before 31st January).

If the object of taxation is co-owned by natural and legal persons, these individuals are obliged to submit a tax return and pay RET on the terms applicable to legal persons.

Changes in taxation of buildings and non-building structures from 2025 – project of RET Law amendments

The most important changes concern the definitions of the terms “building” and “non-building structure”. From the point of view of entrepreneurs, what the legislator considers to be non-building structures is crucial, because they are taxed based on value and the highest taxes are paid on non-building structures.

There will be an autonomous definition of the term “non-building structure” in RET Law. This means that there will be no reference to non-tax regulations. Additionally, the categories of objects classified as non-building structures have been entered into the new annex No. 4 to the RET Law. The definition of “building” will also not refer to non-tax regulations.

Changes in the taxation of garages are beneficial for individuals, regardless of whether they are single- or multi-bay. All of them will have to pay tax at a low residential rate (currently a maximum of **PLN 1.15** per square meter of usable area).

The project of RET Law amendments increases taxes for some entrepreneurs which means higher revenues for municipalities. Local governments can therefore benefit from the changes in real estate tax.

The Minister of Finance, the author of the project, explains that the proposed solutions will eliminate current doubts regarding the taxation of certain construction objects (e.g. silos, tanks, elevators). They will be treated as non-building structures, although previously they could be taxed as buildings, and therefore much lower.

The Minister of Finance added that the project will clarify the rules for taxation of complex objects (e.g. sewage treatment plants) and heterogeneous objects (e.g. stadiums). Their owners may also pay a higher tax.

The project also provides for changes regarding railway terminals, and retroactively (from January 1, 2024), which is very controversial. The exemption is in force, it came into force on January 1, 2024, but the (previous) government did not obtain the consent of the European Commission. The Minister of Finance therefore wants to eliminate the exemption retroactively.

The project also provides for changes regarding the exemption from the tax of the port infrastructure. As a result of the proposed change, there will be no doubt that the exemption from RET applies to port infrastructure structures in sea ports or marinas, as well as infrastructure structures providing access to sea ports or marinas - and land occupied for them.

The Minister of Finance also lists the following among the most important changes:

- no taxation of so-called small architectural objects,
- **extending until 31 March 2025 the possibility of submitting a real estate tax return by entrepreneurs to give them time to adapt to the proposed changes (the standard deadline is 31 January).**

4.6. INHERITANCE TAX

4.6.1. Overview

Polish inheritance tax is levied on the value of assets and property rights located in Poland that are transferred on death to an heir and on lifetime gifts. Polish inheritance tax may be imposed on assets and property rights located abroad if the heir or donee is a Polish national or is a Polish permanent resident at the time of the transfers or death or when the donation contract is concluded.

Non-residents who do not hold Polish citizenship are not obligated to pay inheritance tax if movable property and property rights are inherited or donated in the Polish territory, provided that the donor is not a Polish resident and has no Polish citizenship.

4.6.2. Taxpayer categories

Payers of tax on inheritance and charitable donations are grouped into three categories depending on the relationship with the donor/testator:

- **Tax Group 1** includes: spouse, descendants, ascendants, stepchild, son-in-law, daughter-in-law, siblings, stepfather, stepmother, parents in-law,
- **Tax Group 2** includes: descendants of siblings, siblings of parents, descendants and spouses of stepchildren, spouses of siblings and siblings of spouses, spouses of siblings of spouses, spouses of other descendants,
- **Tax Group 3** includes: other acquiring parties.

Special rules apply to acquisition of assets or property rights through close relatives of the donor/testator, who include the spouse, descendants, ascendants, stepchild, siblings, step-parents. In such cases, the acquisition of assets or property rights will be exempt from tax if:

- the acquisition of assets or property rights is reported to the relevant tax office within six months from the establishment of the tax obligation (with the exception of agreements concluded in the form of a notarial deed)
- in case of cash donations – the taxpayer documents the receipt with a proof of transfer to a bank account or their account maintained by a credit union or postal order.

4.6.3. Tax rates

Currently, tax-exempt amounts are as follows:

- for acquirers from Tax Group 1 – PLN 36,120,
- for Tax Group 2 – PLN 27,090,
- for Tax Group 3 – PLN 5,733.

Taxable base in PLN		Tax scale
more than	up to	
1) from acquirers from tax Group I		

itcp

-	11,833	**3%**
11,833	23,665	PLN 355 + **5%** of the surplus over PLN 11,833
23,665		PLN 946.60 + **7%** of the surplus over PLN 23,665
2) from acquirers from tax Group II		
-	11,833	**7%**
11,833	23,665	PLN 828.40 + **9%** of the surplus over PLN 11,833
23,665		PLN 1,893.30 + **12%** of the surplus over PLN 23,665
3) from acquirers from tax Group III		
-	11,833	**12%**
11,833	23,665	PLN 1,420 + **16%** of the surplus over PLN 11,833
23,665		PLN 3,313.20 + **20%** of the surplus over PLN 23,665

4.6.4. Exemptions

The following are examples of some of the most common exemptions from inheritance tax:

- Acquisition of property and property rights by means of inheritance and donation by members of the transferor's/donor's nearest family (e.g. spouse, children, parents, stepparents, brothers, sisters; except for children-in-law and parents-in-law) provided that they fulfil reporting requirements described in the Polish inheritance tax law.
- Acquisition of a farm (except buildings).
- There are some tax-free amounts. The tax-free amounts depend on the character of the personal relationship between the purchaser and the person from whom assets and property rights are acquired.

In case of multiple acquisitions from the same person (within the last five years), the value of all acquisitions are accumulated for inheritance tax calculation purposes, and the total sum is reduced by the amount of tax already paid.

Inheritance tax is payable by the donor in case of a gift, and by the heir in case of inheritance.

Tax is charged on the fair market value of the gift or inheritance on the day when the tax point arises (i.e. when the heir/donee accepts inheritance/donation), less a deduction for any debt or burdens on the amount transferred, that is, the net value. The tax varies according to the relationship with the deceased or the donor.

As of 1 January 2019, an important change concerning the sale of real estate received by inheritance was implemented. Until 2019, the law provisions exempted from tax the sale of real estate property after five years from the date of opening the inheritance, which is usually the date of death of the testator. In respect to the updated provisions, the five-year period will be counted from the date of acquisition of real estate by the testator. The taxpayer will also be allowed to use the housing allowance for the extended time period. The previous provisions have released income from the sale of real estate under condition that the funds for one's own housing purposes were spent within two years after the sale. Starting

from 1 January 2019, the deadline is extended to three years. In order to benefit from the exemption, the taxpayer should become the owner of the property.

4.7. TAX ON GOODS AND SERVICES (VAT)

4.7.1. Introduction

Polish regulations on tax on goods and services (VAT) are based on the EU legislation. It means that principles of VAT taxation in Poland are in general the same as in other EU Member States.

Basic transactions subject to VAT are supplies of goods and supplies of services deemed to be made in Poland. In some situations also free of charge supplies of goods or services can be subject to VAT.

The latest changes in the VAT regulations derive from the new rules for e-commerce, temporary reduction of some VAT rates (e.g. foodstuffs) and introducing VAT grouping (in 2023) and an option to tax financial services. In 2024 there were no new significant changes to the VAT taxation in force. But in 2025 new rules on taxation of returnable and non-returnable packaging are expecting due to implementation of DRS (deposit refund system) – however, at this moment it is not certain whether these regulations will come in force from 1 January 2025. In 2026, mandatory e-invoicing regime by using governmental system (so called KSeF) in B2B transaction is to be introduced.

4.7.2. Taxpayers

As a rule, VAT is levied on transactions made by business entities acting as VAT taxpayers – both B2B and B2C.

In general, VAT taxpayers are individuals, legal persons or other entities carrying out any business / economic activity independently, whatever the purpose or results of that activity. In this regards, “economic activity” covers: any activity of producers, traders or persons supplying services, including mining and agricultural activities and activities of the professions, as well as the exploitation of tangible or intangible property for the purposes of obtaining income therefrom on a continuing basis.

There are some specific cases where not only business entities are considered to be taxpayers, e.g. in case of importation of goods – any person liable to pay custom duties, or any person who, on an occasional basis, supplies a new means of transport to other EU Member States.

Since 2023, VAT Grouping rules were introduced in Poland.

There are certain transactions that are subject to reverse charge mechanism, which means that the seller invoices a sale without VAT and a purchaser is liable to settle a transaction – i.e. to report both output and input VAT. It covers domestic supplies of goods made for Polish taxpayers by the foreign taxpayer not having a business establishment or a fixed establishment in Poland. Thus, foreign taxpayers do not have to register for VAT in Poland because of such transactions. Also in case of import of services (B2B) services acquired from foreign entities, where place of supply is deemed in Poland, reverse charge applies and VAT is settled by a purchaser.

4.7.3. Subject of VAT taxation

The main transactions subject to VAT in Poland are the following one:

Free of charge transfers of goods, where the VAT on their purchase was wholly or partly deductible, is deemed as taxable a supply of goods (self-supply). However, samples or as gifts of small value (unit price is below PLN 20 or a total value of gifts handed to one person is below PLN 100 and gift are included in a register) are excluded from VAT taxation.

There are some specific rules regarding vouchers, depending on their qualification:

- Single-purpose vouchers are VAT-able upon their transfers or emission,
- Multi-purpose vouchers are taxable at a moment when they are exchanged for goods or services.

Transfer of an enterprise or organized part of an enterprise is outside the scope of VAT.

Tax authorities may also consider some transaction as an abuse of the law (transaction is formally legal but essentially is aimed at achieving a tax benefit contrary to the VAT Law) and therefore restructure the transaction by omitting abusive actions.

4.7.4. Tax base

As a general rule, a tax base includes everything which constitutes remuneration obtained or to be obtained by the supplier, in return for the supply, from the customer or a third party, including subsidies directly linked to the price of the supply. The tax base is different in case of, for example, imports of goods (reflecting in particular the customs value of the goods increased by customs duty, excise tax, costs of commission, insurance, transport to the first destination in Poland etc.).

In relation to transactions between related parties, the tax authorities may assess VAT tax base at a market value of transaction if it turns out that the relationship affected the calculation of the remuneration for the supply of goods or provision of services and one party to the transaction is a taxpayer not eligible to deduct VAT. The right to assess the tax base applies if there are family, capital or financial links between counterparties or persons in managerial or supervisory roles in the counterparties' business. Capital links apply if one counterparty has at least 25% voting rights that represent at least five per cent of all voting rights, or disposes of such rights directly or indirectly. For VAT purposes employees are also deemed to be related parties.

4.7.5. Tax point

As a general rule, the tax point arises upon the supply of goods or performance of the service.

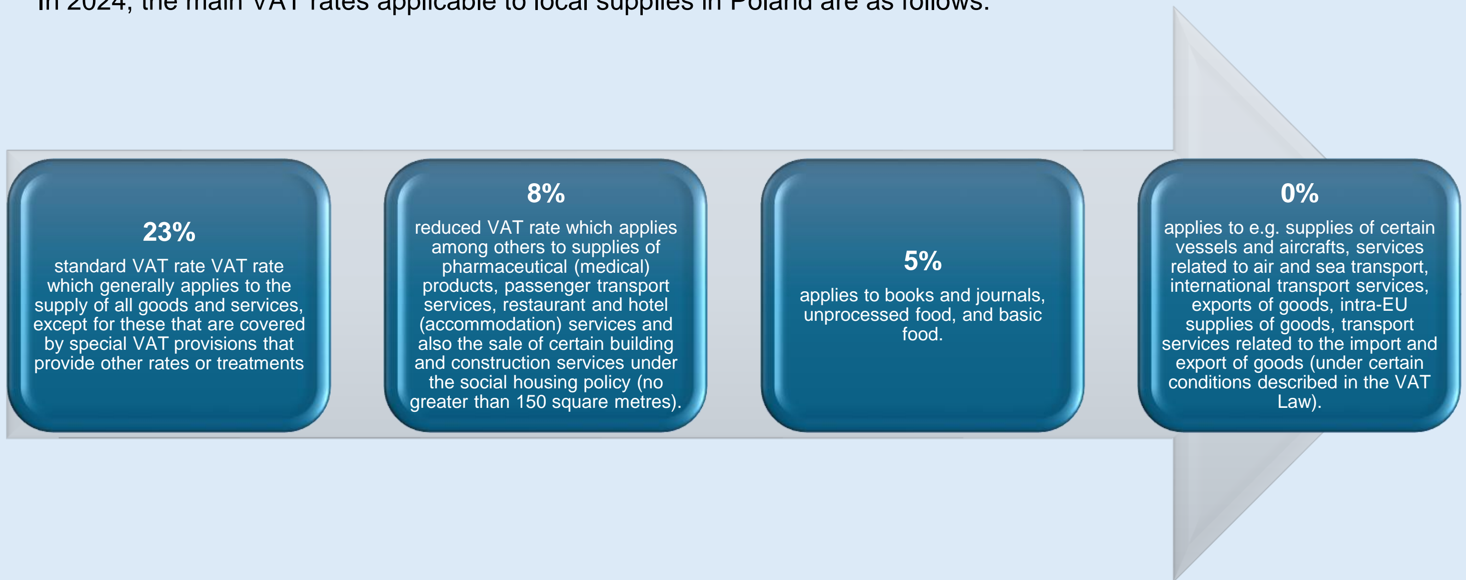
But there are also exceptions to this general rule. As an example, in case of advance payments, the tax point arises when the advance payment is received, and in case of supplies of electricity, telecommunications services or lease, when the invoice is issued, but not later than the payment deadline.

Also, for construction services the tax point occurs upon issuance of an invoice, but no later than within 30 days from the completion of the works.

In case of intra-EU supplies and acquisitions, the tax point arises upon issuance of an invoice, but no later than the 15th day of the month following the month when the supply or acquisition took place. In case of import of goods (except for some special procedures), the tax point arises when the customs duty arises.

4.7.6. VAT rates

In 2024, the main VAT rates applicable to local supplies in Poland are as follows:



Currently, if the taxpayer has doubts as to the proper VAT rate on supplies, it is possible to apply to the tax authorities for Binding Rate Information (WIS). In WIS the authorities assess the standpoint of the taxpayer and confirm what VAT rate should be applied for the specific supply.

4.7.7. VAT exemptions

There is a list of activities that may be exempt from VAT in Poland. As a result of the exemption, input VAT linked with such supplies cannot be wholly or partially deductible. Typical VAT-exempt activities include:

- financial services (granting of credits, providing suretyships for financial transactions, money transfers, keeping money accounts, currency exchange, management of investment funds, trading in shares and securities), other than leasing, factoring and consulting, insurance and reinsurance services),
- certain medical services,
- some educational services,
- welfare services,
- social security services,
- some culture and sports-related services.

There are also some transactions related to real estate which can be VAT exempted, for instance renting for housing purposes or the sale of real estate (at least two years after a first occupation). In case of B2B sale of buildings, it is possible to choose an option and charge the sale of real estate with VAT.

For **financial services** (granting of credits, providing suretyships for financial transactions, money transfers, keeping money accounts, currency exchange, management of investment funds, trading in shares and securities) **there is an option to tax all B2B transactions** of a taxpayer in that regard. A taxpayer should notify the tax authority about exercising that option and should apply it for at least 2 years.

Polish VAT Law also stipulates a special exemption for small businesses. Taxpayers starting their business or continuing it, but in both cases where their annual turnover is **below PL 200,000 may apply VAT exemption** to their supplies

within the said threshold. However, the Polish VAT Law lists goods and services that cannot benefit from this particular VAT exemption - an entrepreneur who sells certain categories of goods or provides certain categories of services will be required to register for VAT from the first sale. Such goods and services cover, among others: construction areas, new means of transport, goods supplied under online sales (cosmetics and toiletries, computers, electronic and optical products, electrical equipment), legal services, advisory services, debt collecting services (including factoring), etc.

4.7.8. Supply of services

Polish regulations on place of supply of services are in line with similar regulations applied in other EU Member States.

In case of services supplied between taxpayers (B2B basis) with their business established / place of residence / fixed place of business in other countries, the primary place of taxation is the country of where is the business establishment / place of residence / fixed place of business of the entity purchasing the service. The opposite applies to services provided by a taxpayer to a non-taxpayer entity (B2C basis) - in that case the business establishment / place of residence / fixed place of business of the service provider is the key factor.

In case of cross-border supplies of services, VAT obligation in Poland may arise if the place of supply is deemed to be in Poland. As an effect, according to the general rules, VAT will be payable in Poland on service transactions between taxpayers from different countries only if the service recipient has its business establishment / place of residence / fixed place of business in Poland.

However, in case of services provided by a Polish taxpayer to a non-taxpayer entity, VAT will be payable in Poland if the service provider has its business establishment / place of residence / fixed place of business in Poland.

There are several exceptions to the above rules - for example, the place of taxation of services related to an immovable property is always a place where an immovable property is located. The place of taxation of restaurant and catering services is the place (country) of their actual provision.

In case of e-commerce transactions in goods and TBE (Telecommunications, Broadcasting and Electronic) services - B2C supplies to other EU Member States, generally they are taxable in the country of destination if a taxpayer opts for an OSS procedure. This procedure is obligatory over the annual threshold of EUR 10,000. As a result, all B2C intra-EU transactions are reported in one VAT return and there is only one payment to the tax authorities of the country of an identification.

4.7.9. Intra-EU supply of goods

Intra-EU supply of goods constitutes supply where the goods are dispatched from the territory of Poland to the territory of another EU Member State. Also, the movement of the taxpayer’s own goods from the territory of Poland to another EU Member State for business purposes constitutes “deemed” intra-EU supply of goods.

Generally, intra-EU supply of goods is subject to the **0% VAT rate**, provided that the supplier:

- supplied the goods to a purchaser with a valid and proper EU VAT number,
- obtains proper documentation confirming that the goods were delivered to another EU Member State,
- is registered for EU VAT purposes when submitting the VAT return where the transaction is reported and submits the EU Sales/Purchase Listing (VAT-UE) form reporting the transaction.

The documents needed to apply the 0% VAT rate are primarily signed consignment documents (CMR), but if it is not possible to obtain a signed CMR, an unsigned CMR should be gathered with additional documentation confirming the delivery of goods, e.g. a statement signed by the purchaser, business correspondence, payment confirmation, warehouse documentation etc.

If such documentation is not available, the transaction is taxed at the domestic VAT rate, subject to future correction when the documents are obtained.

Intra-EU acquisition of goods

Intra-EU acquisition of goods constitutes acquiring the right to dispose of the goods as an owner within a transaction where the goods are dispatched from another EU Member State to Poland for business purposes of the purchaser. Additionally, the taxpayer's movement of its own goods from another EU Member State to Poland for business purposes constitutes "deemed" intra-EU acquisition of goods.

Intra-EU acquisition of goods is in principle neutral, as the taxpayer reports in the VAT return both output and input VAT at the same time.

As a rule, entities performing intra-EU acquisitions are obliged to register for VAT purposes in Poland, but under certain circumstances it is possible to apply call-off stock simplification to avoid registering. This procedure may be applied if the goods are introduced into the warehouse in Poland for the purpose of future supply to a Polish purchaser. The supplier may not have its registered office or fixed place of business in Poland to apply this simplification. As of 2020, the call-off stock simplification rules were harmonized within the EU.

4.7.10. Export of goods

Export of goods is understood as dispatch of goods from Poland to a destination outside the EU. There are two types of export:

- Direct export, when transport is handled by the supplier.
- Indirect export, when transport is organized by a purchaser without a registered office or fixed place of business in Poland.

Export is subject to the **0% VAT rate**, provided that export documents are obtained. If the export procedure is initiated in Poland, the IE599 electronic notification is the appropriate document which should be obtained in order to apply the 0% VAT rate. Export may take place from Poland also when the export procedure has been initiated in another EU Member State, provided that the intention of export was expressed when the goods were dispatched from Poland. In that case, appropriate export documents issued in the Member State of export should be gathered.

If export documentation is not gathered, the taxpayer may hold off reporting the transaction for one period, in case the taxpayer has a document confirming that the customs procedure has been initiated (IE529 electronic notification).

Should the export documents still not be gathered in the next period, the transaction should be reported at the domestic VAT rate. Subsequent receipt of the customs documents allows the taxpayer to report the transaction with the 0% VAT rate in the current VAT return and report the transaction at the domestic VAT rate with a negative value (for exports it is not necessary to correct past periods).

4.7.11. Import of goods

Transport of goods from outside the EU to Poland constitutes import of goods. Upon importation the customs authorities generally impose customs duties and calculate import VAT, and the taxpayer makes the payment of VAT within 10 days. Under the standard procedure, the taxpayer is entitled to recover the paid VAT in the period of receipt of the customs document (ZC299 electronic notification) or three following periods.

There is also the possibility to settle import VAT neutrally in the VAT return. For that purpose, the taxpayer should:

- Present recent certificates or statements (not older than 6 months) confirming lack of arrears in social security contributions and taxes.
- Present confirmation of registration as an active VAT payer.
- Make customs notification through a direct or indirect representative.

4.7.12. Sales to individuals

Sales of goods and services to individuals who are not running business activities are generally (with some exceptions) recorded using fiscal cash registers. Currently, certain types of businesses (e.g. car workshops) are obliged to use online cash registers which automatically send copies of the issued receipts to the tax authorities. This obligation has also been extended for example to hotels, providers of gastronomic services, suppliers of coal, hairdressers, cosmetic

services, healthcare and dental services, legal services etc. Taxpayers performing other services or supplies are entitled to use standard cash registers until used up, but as of 2024 it is possible to purchase only online cash registers. Moreover, if the sale is confirmed first with a receipt, and then the taxpayer would like to request an invoice, the receipt must contain the purchaser's tax number. If the receipt lacks this information, the supplier cannot issue an invoice for the transaction.

4.7.13. Input VAT

4.7.13.1. General rule

The taxpayer is generally entitled to reduce output VAT (resulting from sales) by the amount of input VAT incurred on the purchase of goods and services related to its VAT-able activity. Input VAT related to transactions that are VAT-exempt or not subject to VAT is not deductible.

If input VAT relates to both types of supplies (taxable and exempt), the taxpayer should use the pro-rata method for determining the amount of deductible input VAT (if precise assignment of the input VAT to a taxable sale is not possible).

Moreover, if input VAT relates to both business activities, as well as activity not subject to VAT (this applies mainly to the public sector and foundations), the so-called pre-pro-rata method for determining the amount of deductible input VAT should also be applied (if precise assignment of part of the input VAT to business activity is not possible).

4.7.13.2. Time of deduction

Timelines for VAT deduction are strictly regulated. As a rule, the right to deduct input VAT arises:

- in case of domestic purchases of goods or services and import of goods - in the period in which the tax becomes chargeable, but not earlier than upon receiving a VAT invoice or customs document documenting the given transaction,
- in case of intra-EU acquisition of goods - in the period when the tax point for a given transaction arises, provided that the taxpayer reports output VAT in the correct VAT return,
- in case of import of services, deemed (non-commercial) intra-EU acquisition of goods and other purchases subject to reverse charge mechanism - in the period when the tax point for a given transaction arises, under the condition that the taxpayer reports output VAT in the correct VAT return.

Input VAT may alternatively be deducted in one of the three following periods.

If input VAT was not deducted in the aforementioned periods, the taxpayer may correct the VAT return submitted for a period in which the right to deduct VAT arose or the VAT return for one of the three following periods, in order to include (deduct) the input VAT. However, such a deduction is possible only within five years from the beginning of the year in which the right to deduct input VAT arose.

4.7.13.3. Limitations of recovery of input VAT

Input VAT on hotel (accommodation) and restaurant services is non-recoverable, except for:

- the purchase of ready meals intended for passengers by a taxpayer providing passenger transport services,
- accommodation services purchased for resale (for so-called re-invoicing).

Limitations on input VAT deduction apply to expenses related to passenger cars (e.g. purchase or leasing of passenger cars as well as fuel). Generally, it is possible to deduct 50% of input VAT, but when a car is deemed to be used only for business purposes and formal requirements are met, full deduction is possible.

4.7.13.4. Reverse-charge mechanism

If services are provided in the territory of Poland by a supplier with no registered office or fixed place of business in Poland, VAT with respect to the transaction should generally be self-charged by the recipient under the reverse-charge mechanism. This does not apply to services connected with immovable property, if the supplier is registered for Polish VAT. If goods are supplied in the territory of Poland by a supplier with no registered office or fixed place of business in Poland, VAT with respect to the transaction should generally be self-charged by the recipient under the reverse-charge mechanism. This rule does not apply if the supplier is registered for Polish VAT.

4.7.13.5. Refund of surplus input VAT

If input VAT exceeds the amount of output VAT in the settlement period, the taxpayer is entitled either to carry forward the surplus to the following settlement period(s) or to apply for a refund.

The standard deadline for a VAT refund is 60 days from the date when the VAT return is submitted.

Under certain conditions, this deadline may be shortened to 25 or 15 days. The 25-day deadline also applies when a taxpayer requests a refund into the taxpayer's VAT account (technical account used for split payment, where the funds may be used for limited purposes).

As a rule, taxpayers issuing only e-invoices in National e-Invoice System (KSeF), subject to meeting additional conditions, are able to benefit from the shortened 40-day deadline for VAT refunds.

However, these deadlines may be extended by the tax authorities if an additional audit regarding the refund is necessary.

Refund of VAT to non-residents

Foreign taxpayers not registered for Polish VAT may claim a refund of input VAT incurred on the purchases of goods and services in Poland. Refunds of input VAT can only be made to foreign taxpayers if the VAT would be deductible by a Polish taxpayer for the purchase of such goods or services.

Furthermore, taxpayers from outside the EU can only claim a refund if their home country makes VAT refunds to Polish VAT payers (reciprocity rule). EU taxpayers should submit their application for a VAT refund to the Polish tax office via their local tax authorities. Travelers from outside the EU can also claim a refund of VAT on purchases in Poland.

4.7.14. Bad-debt relief

Polish regulations enable taxpayers to recover VAT charged for the supplies of goods or services if a debtor (purchaser) does not pay for an invoice within 90 days after the payment deadline date specified in the contract or invoice, and certain formal requirements are met.

At the same time, the debtor (purchaser) is obligated to correct the deducted VAT amount resulting from an invoice if the amount due under the invoice is not paid within 90 days after the due date set forth in the contract or invoice.

On 15 October 2020, the Court of Justice of the European Union issued a judgment on Polish bad-debt relief (C-335/19) holding that the Polish legislation making the reduction of the VAT taxable amount subject to certain formal requirements is incompatible with the EU VAT Directive.

As a result of the judgment, these formal requirements have been abolished. As of October 2021, relief became available also in situations where the debtor is in liquidation proceedings, ceased to be an active VAT payer, or is a natural person (consumer) or VAT-exempt taxpayer. In situations where the debtor is not an active VAT payer, the use of bad-debt relief depends on meeting additional conditions.

And from 1 October 2021, the deadline for benefiting from bad-debt relief was extended from two years to three years (starting from the end of the year in which the invoice was issued).

4.7.15. Split payment

Split payment is obligatory in certain situations. Application of the split-payment mechanism means that the purchaser pays the gross amount to the supplier, but only the net amount is transferred to the general bank account of the supplier, whereas the VAT amount is transferred to a technical VAT account, where the funds are locked and may be used only for the purpose of paying VAT to suppliers or for payment of tax liabilities or customs duties to the tax authorities or customs agencies.

Obligatory split payment is applicable when the payment is made as a bank transfer, the gross invoice value is at least PLN 15,000, and the invoice includes at least one item from Annex 15 to the VAT Law. This annex lists 150 items subject to obligatory split payment, such as coal, certain metals or scrap, certain electronic goods like computers, processors, hard drives or SSDs, mobile phones, car parts, construction services etc.

In case of payment to the supplier, the purchaser applies split payment by choosing a special payment option and in the transfer order includes:

- Invoice number
- Gross value of payment
- VAT amount
- VAT ID of the supplier

If the transaction is subject to obligatory split payment, the supplier should include a special annotation on the invoice - split-payment mechanism (“mechanizm podzielonej płatności”).

However, lack of such annotation does not free the purchaser from verification of whether this obligation arose.

Lack of payment via split payment mechanism when the transaction was subject to this payment method triggers various sanctions for the purchaser and the supplier.

The supplier may be subject to a 30% VAT sanction when the invoice is missing the mandatory split-payment annotation. However, no sanction is imposed when despite this lack, the purchaser makes the payment via split payment.

The purchaser may also be subject to a 30% VAT sanction when no split payment has been applied. This sanction is not imposed if the supplier settles VAT liability with the tax authorities. However, lack of split payment when the invoice included the required annotation also triggers income tax consequences, as the expense may not be treated as a tax-deductible cost in this case. Moreover, fiscal penalties may be imposed for infringing the split-payment obligation.

4.7.16. VAT Group

From the beginning of 2023, Poland allowed a group of entities bound by financial, economic and organisational links to be registered as a single taxpayer, i.e. a VAT group. The VAT group may include only entities established in Poland and Polish branches of foreign taxpayers.

Once the VAT group is created, transactions between the group members fall outside the scope of VAT, and therefore are not taxable (internal transactions). Output VAT becomes chargeable only on external transactions, i.e. on supplies of goods or services to entities other than members, made in both B2B and B2C transactions. Consequently, only the representative of a VAT group files VAT return (in Poland in the form of SAF-T file called JPK) which serves as a “collective” return.

The VAT Law sets forth a complex set of rules regarding input VAT deduction applicable for VAT groups. As a general rule, purchases should at first be allocated to taxable or exempted activities of the whole group or a specific member. Then an individual pro-rata of a specific member is applicable, but if it is not possible to allocate activities to VAT group members, group pro-rata should be applied.

The same rules apply to non-taxable activities interfering with the right to deduct input VAT (e.g. acting as public bodies).

Creating a VAT group also entails an obligation to keep a special register of internal transactions, which from July 2023 should be sent each month to tax authorities in the form of SAF-T (JPK).

During the period when a VAT group is a taxable person, as well as after losing this status, members of the VAT group are jointly and severally liable for its VAT obligations.

4.7.17. Reporting and payment requirements

General information

As a rule, all VAT taxpayers are obliged to file a VAT return and pay VAT liability monthly by the 25th day of the month following the given settlement period (or the next business day, if the 25th is not a business day).

Quarterly submission of VAT returns is allowed only in some specified cases.

The VAT return is submitted in the form of a SAF-T V7M or SAF-T V7K file, comprising both the VAT return and the VAT register (covering information about purchases and sales). The SAF-T V7M and SAF-T V7K files require entities to disclose a specific set of additional data such as the group of goods and services, procedures determining the type of sales transactions, and types of sale and purchase documents.

Taxpayers making intra-EU supplies and intra-EU acquisitions of goods or intra-EU supplies of services must also file an EC Sales List monthly, by the 25th day of the month following the given settlement period (or the next business day, if the 25th is not a business day).

The SAF-T V7M or SA -T V7K file and EC Sales/Purchase List must be filed electronically.

INTRASTAT declarations

INTRASTAT declarations must be filed for intra-EU flow of goods. Generally, these should be submitted to the customs chambers on a monthly basis, by the 10th day of the following month.

The obligation to submit INTRASTAT declarations arises if the value of arrivals or dispatches of goods exceeds statistical thresholds published annually by Statistics Poland (GUS). In 2024 the basic threshold for arrivals is PLN 6.2 million and for dispatches is PLN 2.8 million.

4.7.18. VAT sanctions (additional VAT liability)

The tax authority will assess an additional VAT liability (up to 30% of the understatement of a VAT liability or overstatement of a VAT refund) in cases specified in the VAT Law, such as:

- understatement of VAT liability reported in a VAT return (30%).
- overstatement of VAT refund claimed in a VAT return (30%).

When assessing the sanction, the tax authorities must take into account certain facts, such as the circumstances in which the irregularity happened, the type of irregularity, the frequency of such irregularities, the amount of understatement of liability / overstatement of VAT refund, and so on.

The additional VAT liability will be 100% if the understatement / overstatement resulted from fraud.

The additional VAT liability may be limited in certain situations to 20% or 15%, and in some cases is not imposed at all.

4.7.19. White List

The head of the National Revenue Administration (KAS) maintains a so-called White List of VAT taxpayers, i.e. entities registered, deleted or restored to the VAT register.

Among other things, the White List provides a list of bank accounts of the taxpayer notified to the tax authorities as accounts tied to business activity.

Pursuant to regulations applicable from 1 January 2020, if a payment for a transaction between active VAT payers exceeding PLN 15,000 is not made to the seller's bank account disclosed in the White List and some additional requirements are met, the purchaser:

- may not include the expense as a deductible cost for PIT and CIT purposes,
- will be jointly and severally liable with the seller for the unsettled VAT on the transaction.

Purchasers may avoid these sanctions by submission of a special notification to the head of the purchaser's tax office (via the ZAW-NR form) or make a payment using the split-payment mechanism.

4.7.20. National e-Invoice System (KSeF)

On 1 January 2022 the National e-Invoice System (KSeF) was launched, and a new structured invoice (e-invoice) is now available for issuing. Currently, this system is purely optional for taxpayers, subject to consent by the purchaser. According to the regulations, the mandatory National e-Invoice System will be launched on February 1, 2026 (for entrepreneurs with sales value /tax included/ exceeding in 2025 PLN 200 million) and 1 April 2026 (for other taxpayers).

A structured invoice is issued according to the published schema in .xml format and uploaded electronically via an application programming interface to KSeF. Thus, taxpayers need to ensure that their systems correctly implement this functionality, if they wish to utilize KSeF for invoicing purposes.

4.8. EXCISE TAX

Excise tax is an indirect tax that is harmonised at the European Union (EU) level. Excise tax is assessed on specific products in Poland. These consist of, e.g.:

- alcohol beverages;
- tobacco products;
- energy products;
- electricity;
- passenger vehicles.

The entities responsible for excise tax are: individuals, legal entities, organizational units without legal personality, but performing an activity subject to excise tax, a person in respect of whom a factual situation has occurred that is subject to taxation are all excise tax payers, as per economic law.

Excise tax rates are expressed in:

- PLN per unit of the product,
- the percentage of the tax base,
- the percentage of the maximum retail price,
- PLN per unit of the product and the percentage of the maximum retail selling price.

Entrepreneurs who operate their own businesses in the excise products sector are required to submit a registration application to the Central Register of Excise Entities (CRPA). Additionally, an entity that runs a business activity, prior to the commencement of the first activity that is subject to excise tax or the first activity that utilises excise goods that are exempt from excise tax, with regard to their intended purpose, is required to submit a registration application to the head of the tax office. Entrepreneurs who manufacture, distribute, or import excise products from abroad are required to submit an appropriate excise tax declaration to the customs office.

4.9. TARGETED TAXES

4.9.1. Tax on certain financial institutions ("banking" tax)

A tax on certain financial institutions is levied on:

- Banks, branches of foreign banks, branches of credit institutions, and credit unions.
- Insurance companies, reinsurance companies, branches of international insurance companies and international reinsurance companies, and main branches of international insurance companies and international reinsurance companies.

- The lending institutions within the meaning of the Consumer Credit Act.

Tax at the rate 0.44% per year (0.0366% per month) is levied on the assets of the taxpayers less (i) PLN 4 billion in case of banks, (ii) PLN 2 billion in case of (re-)insurance companies, and (iii) PLN 200 million in case of lending institutions. In case of (re-)insurance companies and lending companies, tax is levied on the consolidated assets of the capital group companies.

4.9.2. Sugar tax

The fee on foodstuffs, the so-called "sugar tax" (or "levy on food products"), was imposed on beverages with added sugars, sweeteners, and caffeine or taurine. The amount of the sugar tax is:

- PLN 0.50 for the content of sugars in an amount equal to or less than 5 g in 100 ml of drink, or for the content of at least one sweetener in any amount.
- PLN 0.05 for each gram of sugar above 5 g in 100 ml of drink.

Drinks containing the addition of caffeine or taurine are charged a fee of PLN 0.10 per litre of drink. The fee may not exceed a maximum of PLN 1.2 per 1 liter of a drink. Certain types of beverages enjoy exemption from the sugar tax.

4.9.3. Retail tax

Based on the Retail Tax Act, retailers are to be taxed on the revenues achieved on retail sales, which should be understood as sales of goods to consumers for remuneration, in case an agreement is concluded on the business premises or away from business premises of the given taxpayer. Thus, e-commerce sales should not be subject to this tax. In this context, the services associated with retail sales should also be subject to taxation, unless they are recorded separately than the sale of goods.

The retail tax should be imposed on the excess of revenues over the amount of PLN 17 million, calculated, in principle, based on the turnover registered by the cash registers. The Act introduces two tax rates: 0.8% of the tax base for the given month, in the part not exceeding the amount of PLN 170 million, and 1.4% of the excess of the tax base, in the part exceeding the amount of PLN 170 million.

The retailers shall be obligated to submit tax returns and calculate and pay retail tax in the monthly settlement periods. However, no tax return must be submitted in case the revenues in the given month do not exceed the value of PLN 17 million.

The Retail Tax Act includes certain exemptions from taxation, among others, in respect of:

- energy, water, natural gas, and heat supply to consumers made by network utilities,
- supply of some fuels designated for heating fuel purposes, and
- supply of medicines, special purpose nutrition, and reimbursed or partially refunded medical products.

4.10. CUSTOMS

4.10.1. Overview

Within the EU, including Poland customs regulations are unified. The basics European customs regulations include: Union Customs Code (hereinafter: UCC), with its Delegated Regulation and Implementing Regulation.

The EU customs provisions include in particular trade agreements (bilateral and multilateral) concluded between the European Union and non-EU countries.

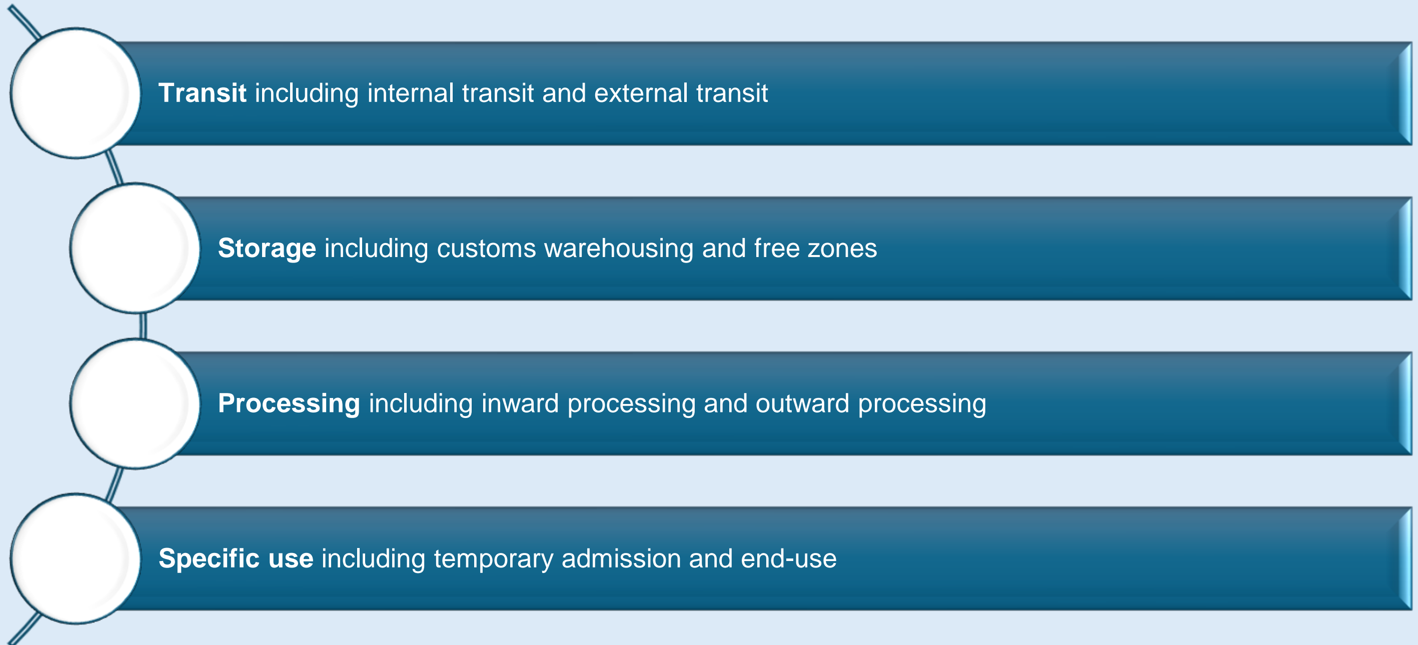
Additional to the EU provisions, national regulations should be also taken into account, i.e. the Act of 19 March 2004 – Customs Law.

4.10.2. Customs procedures

Customs procedures are:

- release for free circulation (import of goods),
- special procedures,
- export of goods.

Special customs procedures cover:



4.10.3. Tariff classification

Before the submission of the customs declaration, it is necessary to carry out a detailed analysis and determine the relevant customs tariff code. The correct classification of goods is important to determine the amount of customs duties (according to the chosen duty rate). For goods which classification is complicated or unclear, UCC provides the possibility to apply for the Binding Tariff Information (hereinafter: BTI). The BTI is an administrative decision issued at request. The BTI confirms the tariff classification of goods determined by the entrepreneurs. Having a BTI decision secures the regularity of the tariff classification of goods and the duty rate applied during the import or export of the goods.

4.10.4. Origin of goods

Customs origin of goods means the country or region/jurisdiction, where products are made within the meaning of rules of origin. The origin of goods is divided into two categories:

- non-preferential origin of goods – mostly to identify whether the origin country is under customs restrictions,
- preferential origin of goods – mostly to determine the duties or charges to be levied on the products.

4.10.5. Customs value

Customs value means the value of goods for the purposes of levying ad valorem duties (duties that are calculated based on the value) of customs. The transaction value method is the first method that should be used for the determination of the customs value. According to this method, the customs value is determined regarding the price actually paid or payable for the goods (adjusted if necessary), which includes all payments made or to be made in the future as a condition of sale of the imported goods.

Where the transaction value method cannot be applied, the customs value shall be determined, as appropriate, according to:

- the transaction value method of identical goods,
- the transaction value method of similar goods,
- the computed method,
- the deductive method,
- the fall-back method.

4.10.6. AEO ("Authorised Economic Operator")

The entrepreneur who has been granted AEO status is treated by the customs authorities as a reliable economic operator. To apply for this status, the entrepreneur must meet several conditions:

- compliance with customs and tax legislation, including no conviction for a serious criminal offense related to the applicant's business activities,
- the applicant demonstrates that he has a high level of control over his operations and the movement of goods, ensured by a system for managing commercial and, where applicable, transport records, which allows appropriate customs controls to be carried out,
- proven solvency,
- and - depending on the type of AEO status:
  - meeting practical standards in terms of customs competence or professional qualifications directly related to the conducted activity (AEOC),
  - appropriate safety and security standards (AEOS) including not committing serious breaches or repeated breaches of customs and tax legislation, being solvent and having an adequate records management system.

The entrepreneur who obtains the status of authorized economic operator (AEO) may be granted authorization to use certain simplifications in accordance with customs legislation (authorized economic operator for customs simplifications – AEOC) or security and safety (authorized economic operator for security and safety – AEOS).

Among many advantages of having AEO authorization, the few should be point out:

- easier admittance to customs simplifications,
- fewer physical and document-based controls,
- prior notification in case of selection for physical control (related to safety and security),
- prior notification in case of selection for customs control (related to other customs legislation),
- priority treatment if selected for control,
- recognition as a secure and safe business partner,
- improved relations with customs and other government authorities.

4.11. GENERAL ANTI-AVOIDANCE RULE (GAAR)

A general anti-avoidance rule (GAAR) has been included in Polish tax law since mid-2016. On the basis of the GAAR regulations, activity undertaken, in particular, with the aim of achieving a tax benefit that is contradictory in the given circumstances to the subject and aim of the regulation of the tax act should not result in achieving such a tax benefit, provided that the manner of action was artificial (tax avoidance). To confirm that the GAAR does not apply to the given action/operation/transaction, the taxpayer is entitled to obtain a protective opinion. However, so far application for a protective opinion under the GAAR has not been a common practice in the Polish market. Therefore, a strong business justification should be in place when performing any restructuring involving Polish entities. Moreover, a further penalty sanction in the form of an additional tax liability resulting from application of the GAAR might be applied.

4.12. MANDATORY DISCLOSURE RULES

Since 1 January 2019, Poland introduced the regulations on reporting on so-called reportable arrangements as a result of implementation of the DAC6 EU Directive (Mandatory Disclosure Rules). The provisions implemented in Poland are significantly wider than the DAC6 EU Directive when it comes to the scope of reporting and include not only cross-border but also domestic arrangements.

The scope of reporting includes arrangements regarding, i.e., income taxes, VAT (with respect to domestic arrangements) and other taxes (excluding customs duties). The arrangement may be subject to reporting if it meets at least one of the general or specific hallmarks, or with respect to cross-border arrangement when it meets the cross-border and other associated hallmarks. In case of domestic arrangements, they are subject to reporting if the criteria for the entity using the arrangements or an entity related to it are met (e.g. its revenues, costs or assets exceed the equivalent in PLN of EUR 10 million or the arrangement concerns items or rights with a market value above EUR 2.5 million).

Some taxpayers may be required to adopt and implement a special MDR procedure.

The arrangements are subject to reporting within 30 days of being made available for implementation, and failure to comply with the obligation to report them or the absence of the MDR procedure (if required) is subject to significant financial penalties, both for the company and for those responsible for taxes (including MDR) – up to PLN 34.6 million (approx. EUR 7.4 million) for failure to comply with reporting obligations.

4.13. ACCOUNTING SYSTEM

4.13.1. Obligation to keep accounting records:

- Commercial companies (partnerships and joint-stock companies, including companies in organization e.g., limited liability company, limited partnership, public limited company) and individuals and private partnerships (if their turnover for the previous year amounted EUR 2 million). From 2025 the limit increases to EUR 2,5 million.
- Organizational units operating under banking law, regulations on trading in securities, regulations on provision of crowdfunding services for economic undertakings, regulations on investment funds and management of alternative investment funds, regulations on insurance and reinsurance activities, regulations on cooperative saving and credit unions or regulations on the organization and functioning of pension funds, regardless of the amount of revenue.
- Branch offices and representative offices of foreign entrepreneurs.
- Other entities, not specified above, if they receive donations or subsidies from the state budget, budgets of local governments or special funds for the realization of their assigned tasks – from the beginning of the financial year in which such donations or subsidies were granted to them.

4.13.2. General information on keeping accounting records in Poland

The books must be kept in accordance with the conditions set in the Accounting Law. If a company does not meet all the conditions, it may decide to keep its books in accordance with the contents of IFRS. In addition, entities that are part of a group in which the parent company prepares consolidated financial statements in accordance with IAS, branches of a foreign entrepreneur, if the entrepreneur prepares financial statements in accordance with IAS.

In practice, the accounts are kept only with the use of computer software that allows obtaining clear information with regard to entries made in the accounts through printing or storing it on IT data carriers.

The accounting documentation must be stored according to the deadlines presented below:

Type of document	Storage period
Approved annual financial statements along with possible signature refusals described in art. 52 section 2 of the Accounting Act, declarations or refusals to submit them described in art. 52 section 2b of the Accounting Act	5 years, starting from the beginning of the year following the financial year in which they were approved
Ledgers	5 years*

Pay slips of employees or their equivalents	for the period required for access to such information under regulations on pensions, retirement and taxes; however, period not shorter than 5 years*
Accounting documents regarding proceeds from retail	until the date of approval of the financial statement for a particular financial year; however, period not shorter than until the date of settlement with persons entrusted with assets covered by retail
Accounting documents regarding: tangible assets under construction, loans, credits, trade agreements, claims pursued in civil proceedings or covered by criminal or tax proceedings	for 5 years starting from the beginning of the year following the financial year in which operations, transactions and proceedings were finally completed, paid, settled or became time-barred
Documentation on the adopted method of bookkeeping i.e., the accounting (policy) principles	for a period not shorter than 5 years from the expiry of its validity
Documents regarding statutory warranty and complaints	1 year after the expiry of the statutory warranty or settlement of the complaint
Inventory documentation	5 years*

The entity should have documentation describing (in Polish) the adopted accounting principles i.e., the so-called "*Accounting Policy*" that, in particular, provides information on the following:

- specification of the financial year and the reporting periods thereof,
- the methods used for valuation of assets and liabilities and determination of the financial result,
- the bookkeeping method, including at least:

  a) the corporate chart of accounts establishing the list of accounts of the main ledger, the adopted rules for event classification, rules for keeping auxiliary ledgers and their relations with the accounts of the main ledger, as well as the possibility of using a standard chart of accounts,

  b) list of accounts, and in case of accounts managed with the use of a computer – the list of data sets forming the accounts on IT data carriers,

  c) a description of the data processing system, and in case of accounts managed with the use of a computer – a description of the IT system,

- the system used for protection of data and data sets, including accounting documents, ledgers and other documentation constituting the basis for the entries made therein.

Ledgers include sets of accounting entries, turnovers and balances that form logs, the main ledger, auxiliary ledgers, a list of turnovers and balances of the main ledger and the auxiliary ledger as well as the list of assets and liabilities.

At the end of the financial year, it is mandatory to carry out the inventory of the assets held.

In general, the financial statement consists of the balance sheet, the profit and loss account, the list of changes in equity, the cash flow statement and additional information – if no simplification is used.

The financial statement is drawn up only in an electronic form, as an xml file, according to the logical structures provided by the Ministry of Finance, and it is signed with a qualified electronic signature, certified signature or personal signature. In three months after the end of the financial year, the financial statement should be signed by the head of the entity and then approved within up to 6 months after the end of the financial year. After the approval, the entity has 15 days to submit the financial statement to the National Court Register.

Apart from the obligation to draw up financial statements, Polish regulations also impose additional reporting obligations

on certain entities, particularly the obligation to draw up statistical reports to the National Bank of Poland and the Polish Central Statistical Office. In general, the reporting is carried-out electronically (through web portals). The obligation to file reports to the National Bank of Poland must be verified for the entity on the basis of the total amount of assets and liabilities i.e., whether the value resulting from foreign exchange with non-residents does not exceed the thresholds provided for in the ordinance.

- monthly obligation – within up to 20 days from the end of the month – in case of entities the total amount of assets and liabilities of which at the end of the year exceeds PLN 300 million.
- quarterly obligation – within up to 26 days from the end of the quarter – in case of other residents the total amount of assets and liabilities of which at the end of the year exceeds PLN 10 million but, at the same time, does not exceed PLN 300 million.

Moreover, entities are subject to the annual reporting obligation by the 31st day of May of the following year, if:

- they also have – at the beginning or the end of the year — at least 10% of votes in the entity's decision- making body seated abroad,
- they have a branch seated abroad,
- residents hold at least 10% of votes in bodies constituting non-resident — at the beginning or the end of the year,
- branches of foreign enterprises have a registered office in the country.

The list of transactions that must be analyzed for the purposes of reporting to the National Bank of Poland:

- AZ-DEP - Current accounts and deposits in credit institutions and foreign banks,
- AZ-NZR - Real property abroad,
- AZ-UDZ - Holdings of non-resident entities in the possession of the reporting entity,
- AZ-KRE - Loans granted to non-residents and receivables from non-residents on financial leasing,
- AZ-REP - Receivables on securities purchased from non-residents with a buy-back guarantee,
- AZ-POZ - Other financial assets and receivables from non-residents,
- PZ-KRE - Credits and loans received from non-residents and obligations under financial leasing towards non-residents,
- PZ-REP - Obligations towards non-residents for sales of securities with a buy-back guarantee,
- PZ-POZ - Other financial obligations towards non-residents,
- IP-ASA - Derivatives with asymmetric risk (options) - assets,
- IP-ASP - Derivatives with asymmetric risk (options) - liabilities,
- IP-SYM - Derivatives with asymmetric risk (other),
- PW-ADN - Debt securities without an ISIN code, issued by non-residents, in the possession of the reporting entity,
- PW-AUN - Equity securities without an ISIN code, issued by non-residents, in the possession of the reporting entity,
- PW-AFN - Participation units (shares) in money market funds and investment funds that are not money
- market funds, without an ISIN code, issued by non-residents, the possession of the reporting entity,
- PW-RIN - securities with an ISIN code, issued by residents, acquired outside the domestic market, in the possession of the reporting entity,
- PW-AIN - Securities with an ISIN code, issued by non-residents, in the possession of the reporting entity,
- AZ-KRH - Trade receivables from non-residents and advance payments paid to non-residents,
- PZ-KRH - Trade liabilities towards non-residents or advance payments received from non-residents,
- PZ-UDZ - Holdings of the reporting entity in the possession of non-residents,
- PW-PAN - Stocks without an ISIN code, issued by the reporting entity, in the possession of non-residents.

The Polish Central Statistical Office (GUS) is the central office of public administration that collects and provides

statistical information. The obligation to file reports to the Polish Central Statistical Office applies to all entities of national economy i.e., legal persons, organizational units without legal personality and individuals who conduct economic activity.

The entity will by informed on their obligation to file a report by e-mail, to the address specified when creating an account on the Reporting Portal (PS) of GUS. Newly-established entities that have not used the Reporting Portal yet will receive

a notification on the first reporting obligation assigned to them by mail, to the correspondence address indicated upon registration of their business activity. The said notification includes a description of the account activation procedure on the Reporting Portal as well as the required temporary authentication details to complete the procedure.

Among others, report refer to the following range of data:

- AK-H/m - Economic prosperity questionnaire – trade
- DG-1 - Report on economic activity
- DNU-K - Quarterly report on international exchange of services
- DNU-R - Annual report on international exchange of services
- F-01/I-01 - Report on revenue, costs and the financial result and expenditures on tangible assets
- KZZ - Report on entities with foreign units
- PNT-01 - Report on research and development activity (R&D)
- SP - Annual enterprise questionnaire
- Z-05 - Work demand survey

It is impossible to exempt any entity of national economy from the obligation to file the report. The Act on public statistics does not provide for a set of situations in which the entity could be exempt from the reporting obligation for the purpose of public statistics.

Failure to fulfil the reporting obligation or providing factually inaccurate data is subject to criminal liability under Chapter 8 of the Act on public statistics.

4.13.3. Simplifications

Entities can use simplifications if such simplifications do not have a significant negative effect on the presentation of a reliable and transparent description of the entity's assets, financial situation and financial result. The matter of significance is determined on an individual basis. The most popular simplifications include the lack of obligation to present operating leasing as financial leasing in accounts, the possibility of drawing up a simplified version of the statement for "*micro*" and "*small*" entities (the thresholds vary, but in general it is sufficient to meet two out of three conditions – total assets below 25.5 million, PLN 51 million of revenue and 50 employees – to have access to some of the simplifications).

Entities that are not subject to the audit of financial statements do not need to prepare the list of changes in equity and the cash flow statement in the financial statement.

4.13.4. Audit of financial statements

The obligatory audit applies to consolidated financial statements of capital groups and annual financial statements of entities that continue their operations, such as:

1) domestic banks, branches of credit institutions, branches of foreign banks, insurance companies, reinsurance undertakings, main headquarters and branch offices of insurance companies, main headquarters and branch offices of reinsurance undertakings, as well as branches of foreign investment companies, a) cooperative saving and credit unions;

2) entities operating under regulations on trading in securities, regulations on provision of crowdfunding services for economic undertakings, and regulations on investment funds and management of alternative investment funds, as well as entities specified in Art. 2 section 2b;

a) entities operating under regulations on organization and functioning of pension funds;

b) national payment institutions and institutions of electronic money;

3) joint-stock companies, except for companies being a member of an organization as of the balance sheet date;

4) other entities that, in the year preceding the year for which the financial statement was drawn up, met at least two of the following conditions:

a) the average annual employment in full time equivalent units amounted at least 50 persons,

b) the total of balance sheet assets at the end of the financial year amounted the equivalent in PLN of at least EUR 2,500,000 (from 2025 amount EUR 3,125,000),

c) the net revenue on sales of goods and products and on financial operations for the financial year amounted the equivalent in PLN of at least EUR 5,000,000 (from 2025 amount EUR 6,250,000).

4.13.5. Electronic documentation

In light of the regulations applicable in Poland, taxpayers can both submit tax returns and issue invoices in an electronic form.

What is more, accounting entries are verified with the use of the Standard Audit File (JPK). It is prepared according to an "xml" pattern and covers seven structures:

- accounts – JPK_KR,
- bank statement – JPK_WB,
- inventory – JPK_MAG,
- VAT invoices – JPK_FA,
- VAT invoices, flat-rate farmers – JPK_FA_RR,
- revenue and expense ledger for tax purposes – JPK_PKPIR,
- revenue registry – JPK_EWP.
- Structures of the JPK file, upon the request of tax authorities, are delivered during tax proceedings, verification activities, tax inspections and customs and tax control.

In case of sending an e-statement/JPK, apart from the installed and properly configured software, it is also necessary to have a qualified verified electronic signature which is also needed to sign the financial statement.

4.14. KEY FORMS OF SECURING TAX POSITION

There are several instruments in Polish tax law that, to some extent, can help taxpayers maintain security when making tax settlements.

Individual ruling of the Ministry of Finance / local government tax authorities

- Waiting time: 3 months
- Scope: All taxes can be covered, however it is not possible to obtain a ruling for protection with respect to application of, i.e. anti-abusive rules.

Advanced Pricing Arrangements (APA)

- Waiting time: Without undue delay, but no longer than 6 months / 1 year / 18 months depending on the type of agreement (in practice, the waiting period is longer)
- Scope: Conditions used in prices of transactions with related entities.

Opinion on tax preference in withholding tax (WHT)

- Waiting time: Without undue delay, but no longer than within 6 months (in practice, the waiting period is longer)
- Scope: Securing the right to apply the WHT exemption or its lower rate, based on the implemented rules of EU Directives for payments such as dividends, interest or royalties, as well as preferences resulting from DTT.

Security opinion on the application of GAAR

- Waiting time: Without undue delay, but no longer than within 6 months
- Scope: Possibility to apply for confirmation of treatment of an event from the perspective of anti-abusive provisions (GAAR).

Binding Excise Information (WIA)

- Waiting time: Up to 3 months, with the possibility of extending the procedure
- Scope: Decision on the classification of excise goods and passenger cars according to the Combined Nomenclature (CN) or determining the type of excise goods. In general, valid for 5 years from its issue (may be rescinded earlier if excise law is amended after the issue).

Binding Tariff Information (WIT)

- Waiting time: 120 days from the date of acceptance of the application (the acceptance should be done within 30 days from receipt of the application)
- Scope: Binding confirmation of the EU Customs Tariff code for specific goods. Valid in all EU countries for a period of 3 years from the date on which the decision takes effect. Once received, it has to be indicated in all customs clearances of the relevant goods.

Binding Rate Information (WIS)

- Waiting time: Up to 3 months, with the possibility of extending the procedure
- Scope: Confirmation of the VAT rate on goods and services offered by the taxpayer.

Investment Agreement for Strategic Investors

- Waiting time: Depends on the length of the negotiation process
- Scope: An agreement between an investor and tax authorities, which sets out the tax consequences of a planned investment on a complex level.

5. SOCIAL SECURITY SYSTEM

5.1. Overview

In Poland, social security consists of:

- pension insurance
- disability insurance
- sickness insurance
- accident insurance
- labour fund.

There is also health insurance (described later in that subsection).

The Polish social security system covers people economically active, like employees or self-employed people (running business activity). Social insurance may be mandatory or voluntary.

5.2. Employees and employers: General rules

Both the employer and the employee are obligated to contribute to the Polish social security system. Apart from paying its own share, the employer is obligated to withhold the employee‘s share of the social security contributions and remit them to the ZUS. In both cases, the relevant payments shall be made monthly.

The following table depicts the obligatory Polish social security contributions (the following rates are applicable):

CONTRIBUTION TYPE	EMPLOYEE SHARE (%)	EMPLOYER SHARE (%)	TOTAL (%)
Pension insurance*	9.76%	9.76%	19.52%
Disability insurance*	1.5%	6.50%	8.00%
Sickness insurance	2.45%		2.45%

Accident insurance		0.67%–3.33%	0.67%–3.33%
Guaranteed benefits fund		0.10%	0.10%
Additional retirement fund (only in certain cases)		1.5%	1.5%
Labour fund		2.45%	2.45%
Total—up to limit	13.71%	19.48%–22.14%	33.19%–35.85%
Total—past limit	2.45%	3.22%–5.88%	5.67%–8.33%
Health insurance**	9.00%		9.00%

** Contributions to pension and disability funds are limited to an annual cap set at 30 times the national average monthly salary estimated for a particular year (in 2024, the cap is set at PLN 234,720).*

*** The gross amount reduced by the employee share of pension, disability and sickness insurance constitutes the assessment basis to calculate the obligatory health insurance contributions (9% of income).*

5.3. Social security contributions of self-employed

As a rule, self-employed persons pay social security contributions in a lump sum, regardless of their actual income. The base for social security contributions, thus the amount of contributions, depends on the forecast average monthly wage for a given year (i.e. calculation basis amounts to 60% of the forecast average monthly wage).

Self-employed persons whose income in the previous year did not exceed PLN 120,000 may pay contributions from the income obtained in the previous year (provided that they meet additional criteria).

There is also a relief for starting a business. Individuals under self-employment do not have to pay social security for the first six months of their activity. For the next 24 months, they can pay so-called “preferential contributions” that are significantly lower than normal ones.

5.4. Health insurance

5.4.1. Employees, board members, and proxies

The monthly contribution rate for health insurance is 9% of the assessment base. In case of obligatory participation, the assessment base is equal to the individual's gross income decreased by the amount of the employee’s part of social security contributions. The health insurance assessment base is not tax deductible for taxpayers reconciling their income with the tax scale, thus the 9% of contribution rate for health insurance is financed from the employee’s net income.

Please note that there is no cap on the health insurance contributions’ assessment base.

5.4.2. Entrepreneurs

Also, from 2022, the method of calculating the health insurance contributions for entrepreneurs has changed. Currently, the rules for paying the health insurance contributions depend on the method of taxation of business activity and are as follows:

- 4.9% of income for Enterpreneurs taxed at flat rate (19%).
- 9% of income for Enterpreneurs taxed according to the tax scale (12% and 32%). However, the health insurance contribution cannot be lower than PLN 387.00 per month for the period between July 2024 and December 2024. There is no amount of the maximum contribution indicated.

A specific contribution depending on the amount of annual revenues for Enterpreneurs taxed with a lump sum on recorded revenues - values in 2024, i.e.:

- For revenue up to PLN 60,000: PLN 419.46 per month.
- For revenue between PLN 60,000 and PLN 300,000: PLN 699.11 per month.
- For revenue exceeding PLN 300,000: PLN 11,258.39 per month.

Additionally, as a result of the changes introduced on 1 July 2022, entrepreneurs can deduct health insurance contributions under modified rules.

According to the changes, such possibility will be provided for entrepreneurs who tax their income (revenues) differently than according to the tax scale, i.e:

- a flat rate tax,
- a lump sum on registered revenue, or
- a tax card.

However, the amount of the deduction is to be limited, depending on the chosen form of taxation:

Up to PLN 11,600 in 2024 of deduction from income (or inclusion in tax deductible costs) for Enterpreneurs taxed at flat rate (19%).

Up to 50% of health insurance contributions for those entrepreneurs paying the lump-sum tax (deduction from the tax base).

Up to 19% of health insurance contribution paid for those entrepreneurs using the tax card (deduction from tax).

5.5. Social security of EU citizens in Poland

The EU provisions on social security do not implement one uniform social security system in the form of a single European system for all EU member countries.

Each EU member state may retain its own domestic social security system and design different regulations. However, the EU provisions on social security have general legal force, apply directly in all EU Member States, are binding on everyone to whom they apply, and have to be observed by national authorities and administration, social security institutions, and courts. In cases where provisions of national law are in conflict with EU rules, the EU rules have priority.

Liability for Polish social security may be determined based on general EU provisions (such as the place of performance of work) or based on Polish provisions if a local contract is concluded.

Generally, a person who has exercised their right to move within the EU may not be placed in a worse position than a person who has always resided and worked in one member state. To avoid a situation where migrant workers are either insured twice or not at all, the EU provisions on social security determine which national legislation applies to a migrant worker in each particular case. Individuals working in Poland who are EU member state nationals should be covered by the EU social security regulations. Depending on the individual circumstances of each assignee, they may be subject to social security in their home country, the country of their employment, or the country where work is actually performed. Each case should be investigated carefully to determine the appropriate social security contribution payment requirements.

6. REGULATED BUSINESS ACTIVITY: CONCESSIONS, PERMITS AND ENTRIES IN REGISTERS OF REGULATED ACTIVITY

In some cases, in order to operate a business activity, one need to obtain a concession (license) / permit from the competent authority, have specific professional qualifications or possess certain equipment or local conditions.

Regulation of business activity means that an entrepreneur does not have full freedom to set up and carry out certain business activities.

Usually, the freedom of business activity is restricted due to issues that are important for the functioning of the state, in particular security and the public interest. This may be, for example, protection of the country's natural resources, protection of consumer interests or preventing monopolistic practices.

An entrepreneur planning to conduct a regulated type of business activity must obtain the right to carry out such activity and must meet specific conditions set out in legal acts. Whether this entity meets such conditions is assessed by a competent authority, such as a minister or the head of a public authority.

In Poland, regulation of business activity can take the form of:

- Concession (licence)
- Permit
- Entry in the Register of Regulated Activity

6.1. Concession (license)

A concession is a permit that authorises the business activities that are subject to the most rigorous standards. Entrepreneurs who are currently running a business activity or possess a concession for a different activity are eligible to file for a concession.

Activities that necessitate a concession:

- mining activity
- weapon production and its trade
- energy sector activity
- protection of persons and property
- radio and television activity
- running a casino
- air transport

A concession is granted in a form of administrative decision. The entity that issues the concession has the authority to grant, deny, restrict, or modify the concession.

There is a high probability that one will not be granted a concession if all of the requirements are not satisfied or if there is a threat to the defence or security of the state and its citizens. The authority will either issue a decision denying the application or the concession will be restricted in its scope.

After granting the concession, the authority may verify whether the business is conducted in accordance with the terms and content of the concession granted. The authority may restrict, temporarily suspend, or withdraw the concession if one fails to adhere to the terms of the concession.

6.2. Permit to carry out business activity

A given type of activity may require a permit only if this has been explicitly specified in legal regulations. Permits are issued after verifying that the entrepreneur is able, and has the technical or organizational capacity, to carry out the specified business activity. The entrepreneur must meet the conditions for carrying out this activity set out in legal acts. Such a permit is granted in a form of administrative decision. It may contain special conditions which also must be met. If one meets all the requirements for performing a certain activity, the authority is required to grant a permit.

Types of business activity that require a permit:

- production and trade of alcohol
- running pharmacies
- some types of activities taxed with excise tax
- collecting waste and waste treatment

6.3. Entry in the Register of Regulated Activity

Entry in the Register of Regulated Activity is the simplest form of regulation of business activity in Poland. In this case, the entrepreneur must:

- meet certain conditions related to carrying out this type of activity;
- submit an application for entry in the register of regulated activity;
- submit a statement on fulfilment of conditions required to carry out this activity (as an attachment to the application).

Registers of regulated activities are public and anyone can view them through the authority that keeps them. The register shows the company (entrepreneur's) details, the tax identification number or – if requested by the authority – other data, but only these that comply with data protection regulations.

Type of activities being entered in registers of regulated activity:

- Production and manufacturing of wine products. Production and bottling of spirits.
- Production, purification, denaturation, and dehydration of ethyl alcohol.
- Temporary storage of personal and payroll documentation of employers.
- Packaging of and trade in plant protection chemicals.
- Detective services.
- Running:
  - Individual medical practice, individual specialist medical practice
  - Group medical practice
- Running:
  - Individual practice of nurses, midwives
  - Individual specialist practice of nurses, midwives or group practice of nurses
- Running a driving training centre, a psychological centre for instructors, examiners and drivers. Organising additional training courses for drivers transporting hazardous goods.
- Organising tourist events.
- Telecommunications activities.

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