



TAX SERVICES



Invest in Poland 2016

Societies and taxes
(with amendments from 01 January 2016,
including 01 July 2016)



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■ Publisher:

getsix® Group
ul. Szwedzka 5
Bielany Wrocławskie
55-040 Kobierzyce
Tel.: +48 (71) 388 13 00
Fax: +48 (71) 388 13 10
E-mail: wroclaw@getsix.pl

■ Editorial office:

TaxaGroup:
Sabina Moczko-Wdowczyk
Tax Adviser,
Licence number : 09738
getsix® Group:
Claus Frank
Monika Martynkiewicz-Frank
Anthony Kerr

■ Design:

getsix® Group:
Marta Bazan-Baranowicz

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- Accounting & Payroll
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- an established quality network
- local knowledge, with global expertise
- partner-led personal service guarantees client loyalty
- a range of value added services

If you have any questions or queries, or just have a question to ask - please do not hesitate to contact us.

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FOREIGNERS' STARTING UP A BUSINESS IN POLAND

Legal basis

The main law governing the business activity of foreigners in Poland is the Economic Activity Freedom Act of 02 July, 2004. In accordance with the Economic Activity Freedom Act a foreigner is: (1) a natural person holding no Polish citizenship, (2) a legal person with the seat abroad and (3) an organisational entity which has no legal personality and is furnished with legal capacity, possessing its seat abroad.

A. Foreigners from:

- member states of the European Union
- member states of the European Free Trade Agreement (EFTA) - parties to the agreement on the European Economic Area
- states that are not parties to the agreement on the European Economic Area and that enjoy freedom of established under agreements concluded by those states with the European Community and its member states - may establish and conduct economic activity based on the same terms as the Polish citizens

B. The above rule also applies to foreigners who are not citizens of the states indicated in point A and who:

- have received a permit to settle in Poland
- have received a permit to stay in Poland under the status of a long-term resident of the European Community
- have received a residence permit in Poland for a specified period of time due to circumstances referred to the Foreigners Act of 13 June, 2003
- have a refugee status in Poland or enjoy supplementary protection
- have received a permit for tolerated residence
- have received a residence permit in Poland for a specified period of time and have been married to a Polish citizen residing in Poland
- enjoy temporary protection in Poland
- have a valid Pole's Card
- are family members of citizens of states indicated in point a above and join or stay with them in Poland

C. Business activity forms:

Unless international agreement state otherwise. Foreigners other than those indicated above in points A and B have the right to establish and conduct business activity (including joining below-mentioned partnerships/companies and acquiring their shares) only in the form of:

- a limited partnership
- a limited joint-stock partnership
- a limited liability company and
- a joint-stock company

Moreover, foreign entrepreneurs, i.e. a foreign person conducting economic activity abroad and a Polish citizen conducting economic activity abroad, may conduct business activity in the form of a branch office or they may establish a representative office in Poland.

BRANCH OF A FOREIGN COMPANY

Basis

According to the Polish law, foreign entrepreneurs may set up branch offices to carry out business activity in the Polish territory. An entrepreneur from a foreign country is allowed to establish a branch on condition that a Polish entrepreneur enjoys equivalent rights in the country of origin of the foreign entrepreneur (reciprocity rule), unless the international agreements ratified by Poland state otherwise. The above does not concern entrepreneurs from EU and EEA countries as well as from countries that are parties to association agreements with the EU in the area of the freedom of establishment. Such entrepreneur's may freely set up branch offices in the Polish territory. a branch does not possess legal personality, it constitutes an integral part of the foreign enterprise and cannot acquire rights or incur obligations in its own name, cannot sue or be sued. However, branches have significant independence with respect to employment matters. The scope of business activity of the branch may not go beyond the foreign entrepreneur's scope of activity. Some special regulations (both in Poland and European Union) regarding opening a branch may be applicable to specific industries, e.g. when opening a branch of a foreign bank, insurance company or investment company. In such cases, the opening of a branch should be seen in light of those specific regulations (which may differ from the general rules).

REPRESENTATIVE OFFICE

Basis

Foreign entrepreneurs may set up their representative offices in Poland. The representative office does not constitute a separate legal entity and is treated as part of a foreign enterprise's organisational and functional structure.

It cannot acquire rights or incur obligations, sue or be sued. The representative office may be established by the foreign entrepreneur only to advertise and promote the business of the entrepreneur in Poland.

FORMING OF COMPANIES IN POLAND

| | POLISH TERM | ENTRY INTO COMPANY REGISTRY / LEGAL PERSONALITY | MINIMUM CAPITAL | SINGLE-MEMBER COMPANY |
|---|---|---|--|--|
| Limited Liability Company (Ltd.) | Spółka z ograniczoną odpowiedzialnością | Yes / Yes | 5,000.00 PLN Minimum face value 50.00 PLN | Yes |
| Incorporated Company | Spółka Akcyjna | Yes / Yes | 100,000.00 PLN Minimum face value 0.01 PLN | Yes |
| Co-operative (Co-op.) | Spółdzielnia | Yes / Yes | No | No at least 10 members (5 in anagricultural co-operative). Does not apply if at least 3 members are legal persons. |
| General Partnership | Spółka jawna | Yes / No | No | No at least 10 members (5 in anagricultural co-operative). Does not apply if at least 3 members are legal persons. |
| Limited Partnership | Spółka komandytowa | Yes / No | No | No |
| Limited joint-stockpartnership | Spółka komandytowo-akcyjna | Yes / No | 50,000.00 PLN | No |
| Partnership under the Civil Code | Spółka cywilna | No / No | No | No |
| Branch | Oddział | Yes / No | No | |
| Permanent tax establishment | Zakład | No / No | No | |

| | START-UP DUTY | WRITING / NOTARIAL | TRANSPARENCY | REGISTRATION WITH THE TAX AUTHORITIES | STATUTORY AUDIT: TURNOVER ≥ 5,000,000.00 EUR; BALANCE SHEET TOTAL ≥ 2,500,000.00 EUR; EMPLOYEES ≥ 50 |
|---|--|--------------------|--------------|---------------------------------------|--|
| Limited Liability Company (Ltd.) | 0.5% tax on the articles of association / Entry in the Commercial Register | Yes / Yes | No | Yes | Provided that at least two of those requirements are met |
| Incorporated Company | 0.5% tax on the articles of association / Entry in the Commercial Register | Yes / Yes | No | Yes | Compulsory |
| Co-operative (Co-op.) | No / Entry in the Commercial Register | Yes / No | No | Yes | Mandatory |
| General Partnership | 0.5% tax on the articles of association / Entry in the Commercial Register | Yes / No | Yes | Yes | Provided that at least two of those requirements are met |
| Limited Partnership | 0.5% tax on the articles of association (Yes for the Limited Partnership having a Limited Liability Company as general partner) / Entry in the Commercial Register | Yes / No | Yes | Yes | Provided that at least two of those requirements are met |
| Limited joint-stockpartnership | 0.5% tax on the articles of association / Entry in the Commercial Register | Yes / Yes | Yes | Yes | Provided that at least two of those requirements are met |
| Partnership under the Civil Code | 0.5% tax on the articles of association / Entry into the CEIDG free of charge | Yes / No | Yes | Yes | Provided that at least two of those requirements are met |
| Branch | As a rule no; Entry in the Commercial Register | - | - | Yes | In the context of any audit of the parent company |
| Permanent tax establishment | - | - | - | Yes | In the context of any audit of the parent company |

INVESTMENT BASICS

Currency - Polish Złoty (PLN)

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

Foreign exchange control - None (generally) for transactions with EU, EEA, OECD and certain other countries. Permission may be required for certain transactions with other jurisdictions and to conduct certain transactions in a foreign currency.

Principal business entities - These are the limited company (Sp. z o.o.), joint stock company (SA), limited joint-stock partnership, limited partnership, sole proprietorship and branch of a foreign corporation.

TAX SYSTEM IN POLAND CONSIST OF 16 TYPES OF TAXES

Direct taxes:

- Corporate income tax (CIT)
- Personal income tax (PIT)
- Social security
- Inheritance and Gift tax
- Civil law transactions tax (PCC)
- Stamp duty
- Market fees
- Visitor's tax
- Tax on certain financial institutions (so-called bank tax)
- Hydrocarbon tax

Indirect taxes:

- Value Added Tax (VAT) & Excise duty
- Lottery tax

Local taxes:

- Real property tax
- Transport vehicle tax
- Agricultural & Forest tax
- Dog ownership fee

ADMINISTRATION & COMPLIANCE

Tax year:

Calendar year: alternatively financial year can be applied for, in which the Revenue & Tax office must be informed in writing.

Filing requirements:

Taxpayers must self-assess and pay advance income tax during the year and may use a simplified method based on previous years' results. The final calculation and reconciliation of the tax due should be made within three months of the end of the tax year.

Penalties:

Persons responsible for the tax reconciliation, as well as members of the management board in certain cases, are subject to penalties for non-compliance. In certain cases, corporate entities may be subject to penalties.

Taxation procedure:

In contrast to other European countries where a general assessment is used by the tax authorities, Poland uses the principle of reverse charge by taxpayers.

The taxpayer must calculate the tax themselves to issue a tax return and to pay the amount due on time.

Limitation period:

In principle tax debts become time-barred after 5 years.

Once the limitation period expires, the tax liability along with accrued default interest ceases to exist default interests

ADMINISTRATION & COMPLIANCE *CONTINUATION*

Registration and licensing

Polish law protects intellectual property, and the licensing of foreign brand names and products is accepted practice. Licensing is prevalent in high-tech industries, pharmaceuticals and retail franchises. Licensed products produced in Poland may be exempt from import tariffs and excise duty and may also benefit from being classified as a Polish product.

The granting of licences is not subject to official restrictions or approval. A licensor may not sublicense.

Accounting standards

Under the IASCF Constitution the objectives of the International Accounting Standards Board are:

- To develop, in the public interest, a single set of high-quality, understandable and enforceable global accounting standards that require high-quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions
- To promote the use and rigorous application of those standards and
- To bring about convergence of national accounting standards and International Accounting Standards to high-quality solutions

BUSINESS REGULATIONS

Requirements of an S.A. and Sp. z o.o.

Capital

Sp. z o.o.: The minimum capital required to establish a limited-liability company is 5,000.00 PLN. A limited-liability company may have a single shareholder. **S.A.:** The minimum start-up capital for a joint-stock company is 100,000.00 PLN of which **25%** must be paid up before registration. A joint-stock company can be established by one or more founding members, who must sign an articles of association agreement.

Taxation of capital companies (CIT)

Capital companies are separate taxpayers to CIT. In principal, the companies are subject to taxation on their global income. With regards a management board, taxation on their global income only if they have a Polish certificate of residence. Taxable income consists of all revenues earned in a tax year (financial and operational), net of deductible costs. This income is subject to CIT at the rate of **19%**. Capital companies are payers of VAT and other taxes in an ordinary fashion

Reserve

Sp. z o.o.: None. **S.A.:** **8%** of annual net profits, until reserve reaches one-third of share capital.

BUSINESS REGULATIONS *CONTINUATION*

Requirements of an S.A. and Sp. z o.o.

Founders, shareholders

Sp. z o.o.: There are no restrictions on number, nationality or residence of shareholders. **S.A.:** The company must be founded by at least one natural or legal person. Once the company has been established, one shareholder may buy out others. There are no residence or nationality requirements

Supervisory board

Sp. z o.o.: If share capital exceeds 500,000.00 PLN and there are more than 25 shareholders, the company must have a supervisory board with at least three persons. **S.A.:** a supervisory board with at least three members, each appointed for a term of up to 5 years, is required. **Both:** No residence or nationality requirements, but the chairman of the board for banks registered in Poland must have a working knowledge of Polish.

Management

There are no residency requirements. Management need not be shareholders for either joint-stock or limited-liability companies. **Sp. z o.o.:** The term of office is not defined. **S.A.:** The management board may be appointed for an initial term of up to 2 years, with subsequent terms of up to 3 years each.

Labour

Employees have no influence over the management of private-sector firms unless they are shareholders. Employees appoint one-third of the supervisory board of firms undergoing privatisation, but this right expires once 51% of shares are sold. Employees are entitled to form trade unions.

Disclosure

Both are obliged to prepare annual balance sheets and profit-and-loss statements for filing with a local tax office.

Sole proprietorship

A sole proprietor is an individual who conducts business activity in his/her own name and on his/her own behalf. There is no legal requirements regarding the amount of the initial capital to undertake business activity as a sole proprietor in Poland.

Also, no new legal entity is established as a result of such undertaking.

The business of the sole proprietor may be transformed into a capital company, i.e. a limited-liability company or a joint-stock company

Civil law partnership

Two or more sole proprietors as well as other legal entities, i.e. partnerships and capital companies, may decide to establish a civil law partnership. A civil law partnership is not a separate legal entity and does not possess legal personality. It also cannot acquire rights or incur obligations in its own name and on its own behalf, it can not sue or be sued. Contributions and possessions generated during the business operations of the civil law partnership are owned by partners as joint co-ownership.

Civil law partnerships may be transformed into registered partnerships based on a unanimous decision of the partners.

Professional partnership

Professional partnerships may be established by specific professionals as defined and listed in the Polish Commercial Companies' Code (lawyers, architects, tax advisers, accountants, doctors, dentist, and others). The professional partnership may be formed for the purpose of pursuing more than one profession, unless the law prohibits this specifically. As in the case of registered partnerships, professional partnerships do not have legal personality, but have legal capacity and capacity to perform legal actions (they may acquire rights, including ownership of a real estate, and incur obligations in their own name, as well as sue and be sued).

Limited partnership

A limited partnership is usually preferred when investors seek a way to differentiate their involvement in the partnership entity and consequently their liability for the transactions performed by partnership. The distinctive feature of this partnership is that the legal positions of partners are not equal - general partner(s) and limited partner(s) - which results in significantly different levels of rights and liabilities.

Limited joint- stock partnership

A limited joint-stock partnership is the most complex type of partnership, as its structure combines the elements of both the registered partnership and the joint-stock company. Like other partnerships, the limited joint-stock partnership has no legal personality, but it has legal capacity, which means that it may acquire rights, and incur obligations in its own name. The limited joint-stock partnership may also sue and be sued. Limited joint-stock partnerships are established by at least one general partner and one shareholder. Participation of shareholders is a consequence of a capital-focused character of the limited joint-stock company.



BUSINESS REGULATIONS *CONTINUATION*

Limited liability

A limited liability company is the most popular and flexible form of conducting business activity in Poland. It is Polish equivalent of the private limited liability company in the UK, a *société à responsabilité limitée* (sarl in France, or a *Gesellschaft mit beschränkter Haftung* (GmbH) in Germany. Limited liability companies may be established for any purpose allowed by law. They are often used as special purpose vehicles, holding companies and as national companies controlled by international corporations. The personal structure of the limited liability company may be, in general, changed without affecting the legal structure of the limited liability company, which is normally not the case with a partnership. A limited liability company may also be run by a single founder/shareholder. However, a single-shareholder limited liability company cannot incorporate another single-shareholder limited liability company. Although a limited liability company is a capital company, it still preserves some personal elements, such as the possibility to limit the disposal of the company's shares or establish the shareholder's right of individual control of the limited liability company. The shares of a limited liability company do not take the form of a document and cannot be listed on the stock exchange.

Joint-stock company

A joint-stock company is the Polish equivalent of the public liability company in the UK, *société anonyme* (SA) in France and the German *Aktiengesellschaft* (AG). Joint-stock companies are rather expensive to run and are primarily used for large-scale business activities, in particular, if public is to be considered as a way of obtaining capital.

Formally it is more structured than the limited liability company.

The shares of joint-stock companies may be publicly traded (listed on the Stock Exchange). The Polish law provides stricter and more complex rules with respect to public joint-stock companies regarding their capitalisation, composition of the governing bodies, compliance and reporting duties.

LEASING

Leasing types

In their everyday work entrepreneurs deal with two kinds of leasing: operational and financial. These two definitions also result from the tax regulations. Choosing the form exclusively depends on the taxpayer using the lease contract which can be subject to the needs of settling the tax costs and the term of predicted usage of the subject of the leasing.

The Operational Leasing

With this form of the contract the subject of the leasing is recognised as assets of the leasing party (for instance, a leasing company). Thus, it is the leasing party who is obliged to make the depreciation and amortisation expenses. However, the leasing instalments constitute the tax deductible expenses of the party using the subject of the contract; VAT and an initial charge are added to these instalments. The sum of the instalments set in the contract reduced by the due VAT has to correspond to at least the initial value of the tangible fixed assets. Shall the term of the contract expire the leaseholder is entitled to redeem the used subject.

The Financial Leasing

Choosing this kind of the lease contract the taxpayer has to know that the subject of the contract is to be recognised as the asset of the Leaseholder; thus, unlike the operational leasing, it is the leaseholder who is obliged to make the depreciation and amortisation expenses. Additionally, the user may only recognise the interest part of the leasing instalment as the tax deductible expenses. VAT shall be paid in full in advance together with the first instalment, immediately after collecting the subject of the contract. It is worth mentioning, that the customer becomes the owner of the subject of leasing automatically after the last instalment is paid.



LEASING CONTINUATION

Key Differences:

| | The Operational Leasing | The Financial Leasing |
|--------------------------------------|---|--|
| Depreciation and amortisation | Duty of the leasing party | Duty of the leaseholder |
| Term | Longer than 40% of the depreciation and amortisation time of the subject (real property - at least 10 years) | Over 12 months |
| Tax deductible expenses | The user recognises the net instalments and the initial charge as the expenses | The user recognises the interest part of the leasing instalments and the depreciation and amortisation as the expenses |
| VAT | Added to the leasing instalments | Paid in advance together with the first instalment |
| Redeeming | Depending on the depreciation and amortisation rate and the redemption term | After paying the last instalment the subject becomes the possession of the user |

The key factor when choosing the form of leasing are definitely the initial costs which are significantly lower in case of the operational leasing due to the lower involvement of equity. The majority of contracts concluded on the Polish market are the operational lease contracts; one of the reasons of such situation may be the fact that in case of the financial leasing VAT has to be paid in full in advance.

Choosing the operational leasing is also recommended in case the planned term of using the subject is relatively short. For this reason it is possible to increase the current operational costs which means reducing the tax base.

CORPORATE INCOME TAX (CIT)

| | |
|--|---|
| Legal basis | <i>Act of 15 February, 1992, on corporation tax</i> |
| Basic information | Residents are taxed on worldwide income; non-residents are taxed on Polish-source income only. Foreign-source income derived by residents is generally subject to corporation tax in the same way as Polish-source income, usually with a foreign tax credit available, unless a tax treaty provides otherwise. Branches are generally taxed the same as subsidiaries. |
| Tax rate (CIT) | 19% Corporate income tax rate for unlimited and limited taxable corporations, however, no minimum corporate income tax |
| Payment method | Monthly advance payments, amounting to the difference between the tax due at the beginning of the year and the total sum of already made advance payments, where applicable settlement of the advance payments in simplified form possible |
| Tax liability | <ul style="list-style-type: none"> unlimited: corporations with their executive board or headquarters in Poland limited: corporations having no executive board or headquarters in Poland - tax liability on the revenue generated in Poland |
| Company limited by shares of Corporate Income Tax (CIT) taxpayers | Since 1st January, 2014, a Polish company limited by shares is obliged to pay CIT. Contrary to earlier announcements profits generated by limited partnerships are exempt from CIT taxation. |
| Financial year | Calendar year: alternative financial year can be applied, in which the Revenue & Tax Office must be informed in writing |
| Accounting | generally double-entry accounting according to the Accounting Law dated 29.09.1994 |
| Tax loss compensation | Tax loss compensation is possible within a period of five years: Within one year not exceeding 50% (the balance in subsequent years), no loss carryback. |
| Affiliated companies | According to the OECD - Model Tax Convention (OECD-MA) if: <ul style="list-style-type: none"> Company is involved directly or indirectly in the management, control or capital of the other company (subsidiary), or The same persons participate directly or indirectly in the management, control or capital of both companies (sister company) |
| Deductible operating expenses | Those expenses are tax deductible, when incurred to generate revenue, or to maintain respectively to secure the source of income; exceptions hereof are written down in the Law on Corporate Income Tax (e.g. purchase of land, representation expenses e.t.c.) |
| Transfer prices | <ul style="list-style-type: none"> External or internal price comparison Resale price method Profit distribution methods / net margin method (if the above are not applicable) |

CORPORATE INCOME TAX (CIT) CONTINUATION

| | |
|--|---|
| Interests of credit/externally financed stakeholdings | Generally deductible |
| Thin capitalisation rules | A corporation financed through debt by a parent company shall only add a part of its interest payments to the tax-deductible costs. As of January 1st, 2015, the related rules will be changed - this issue is specified below. |
| Ways of depreciation | <p>Depreciation methods: straight-line, declining, balance method only allowed for special machinery, equipment and transport. An immediate write-off is possible for low-value assets with an acquisition value up to 3,500.00 PLN (net)</p> <p>Depreciation rates:</p> <ul style="list-style-type: none"> • Real Estate: 2.5% • Buildings: 4.5% • Machinery and equipment: 7% - 25% • Cars and Trucks: 20% • Computer: 30% <p>If technically verifiable or in case of used assets, other rates are permitted.</p> |
| Provisions | Balance Legal Provisions are not recognised for tax purposes in general (a few very restrictive exceptions) |
| Passenger car costs | Depreciation and insurance costs of cars which cost more than 20,000.00 EUR net - relates to the amount that is higher than 20,000.00 EUR |
| Non-tax-deductible expenses | <p>Amongst others (detailed list in Article 16, Paragraph 1 of the Tax Act)</p> <ul style="list-style-type: none"> • Expenses for the purchase of land plots in ownership or the purchase of beneficial interests (usufruct rights) for a specified in advance limited period in time except the fees and commissions related to the purchase of beneficial interests • Depreciation and insurance costs for cars with an acquisition value of more than 20,000.00 EUR net • Interest, bank charges and exchange rate differences of loans, which increase the investment costs in the acquisition stage • Charged but unpaid interests or interests waived, payable for debts including loans. • Most of the accruals set up on the balance sheet • Expenses for the acquisition or purchase of shares • Entertainment expenses, mainly for entertainment |

Withholding tax

Dividends

Dividend paid by a Polish resident company to a non-resident company are taxed at a rate of **19%** unless the rate is reduced under a tax treaty or the dividends qualify for participation exemption under the EU parent-subsidiary directive.

Interest

Interest paid to a non-resident is subject to a **20%** withholding tax unless the rate is reduced under a tax treaty or the EU interest and royalties directive.

Royalties

Royalties paid to a non-resident are subject to a **20%** withholding tax unless the rate is reduced under a tax treaty or the EU interest and royalties directive.

Other

Fees for specified intangible services (e.g. advisory, accounting, legal, technical, advertising, data processing, market research, recruiting, management, control services, guarantees, etc.) are subject to a **20%** withholding tax (subject to the provisions of an applicable tax treat).

Dividends

19% respectively the particular double taxation treaty, the application and adherence of the EU-Parent-Subsidiary Directive for the taxation of parent and affiliated companies.

Domestic corporations:

Exemption from withholding tax for payments done by a Poland resident corporation towards another Poland resident corporation.

Condition:

The entitled to the dividends must dispose of minimum **10%** of the shares of the liable to pay dividends corporation for an uninterrupted period of 2 years. The beneficiary of the dividends shall not make use of a tax exemption with respect to his whole income independent from the source of its realisation (declaration of the beneficiary of the dividends required).

CORPORATE INCOME TAX (CIT) CONTINUATION

Dividends (Cont.)

International:

Dividends received by a Polish resident company (with certain exceptions in the case of limited joint-stock partnerships) from another Polish company or an EU/EEA or a Swiss company are exempt from taxation if certain holding and participation requirements are met. If the exemption does not apply, dividends received are subject to taxation, but a credit for foreign withholdings tax and, in some cases, underlying foreign corporate tax paid is available.

European Union (EU), European Economic Area (EEA):

Exemptions from withholding tax for dividends, paid by a resident in Poland corporation towards a corporation resident in a country of the EU or the EEA.

Condition: The entitled to the dividends must dispose of minimum **10%** of the shares of the liable to pay dividends corporation for an uninterrupted period of 2 years.

The beneficiary of the dividends shall not make use of a tax exemption with respect to his whole income independent from the source of its realisation (declaration of the beneficiary of the dividends required).

Switzerland:

Exemption from withholding tax for dividends, paid by a corporation resident in Poland towards a corporation resident in Switzerland.

Condition: The entitled to the dividends must dispose of minimum **25%** of the shares of the liable to pay dividends corporation for an uninterrupted period of 2 years.

The beneficiary of the dividends shall not make use of a tax exemption with respect to his whole income independent from the source of its realisation (declaration of the beneficiary of the dividends required).

Dividends a Polish corporation receives from:

European Union (EU), European Economic Area (EEA)

Tax exemptions for dividends which a corporation resident in Poland receives from a corporation being resident in one of the European Union (EU) or European Economic Area (EEA) countries.

Condition: The Polish corporation must dispose of minimum **10%** of the shares of the liable to pay dividends corporation for an uninterrupted period of 2 years.

The beneficiary of the dividends shall not make use of a tax exemption with respect to his whole income independent from the source of its realisation (declaration of the beneficiary of the dividends required).

Switzerland

Tax exemptions for dividends which a corporation resident in Poland receives from a corporation being resident in Switzerland.

Condition: The Polish corporation must dispose of minimum **25%** of the shares of the liable to pay dividends corporation for an uninterrupted period of 2 years.

The beneficiary of the dividends shall not make use of a tax exemption with respect to his whole income independent from the source of its realisation (declaration of the beneficiary of the dividends required).

Other countries with Double Taxation Treaties

Set-off of already paid withholding tax and pro-rata corporate income tax for Polish corporations, which dispose for an uninterrupted period of 2 years, at least **75%** of shares of the liable to pay dividends corporation with its registered headquarters in another country with which Poland concluded a double taxation treaty.

Other countries (without double taxation treaties)

Set-off of already paid withholding tax for Polish corporations, which dispose of shares of the liable to pay dividends corporation with its registered headquarters in another country with which Poland did not conclude a double taxation treaty.

CORPORATE INCOME TAX (CIT) CONTINUATION

| | |
|--|--|
| Choice of the settlement method of accounting of exchange differences | <p>Corporation and Income taxpayers (CIT and PIT) that are obliged to produce financial reports have the right to choose the accounting method to calculate the exchange differences mentioned in Article 9b, Paragraph 1, Point 2 (CIT) or Article 14b, Paragraph 2 (PIT).</p> <p>The accounting method chosen depends on certain conditions. Above all, the taxpayers are obliged to notify the competent tax office in writing, of the chosen method by the end of the first month of the tax year in which the method will apply (in the case of taxpayers who start their business activities - within 30 days of start-up). If this is the case and the taxpayer requires to continue business activities, applying the balance method of calculating exchange differences from 1st January, 2016, it should notify the tax office about this before 31st January, 2016.</p> <p>In addition, during the period of applying a specific accounting method to calculate exchange differences, the annual financial statements of taxpayers must be audited by state-authorized public accountants. In this case the reported and audited exchange differences are tax deductible. The introduction of statutory audits aims to confirm the accuracy of the calculated exchange differences.</p> <p>The period of applying the accounting method cannot be less than 3 years. A taxpayer who selects the accounting method for calculating exchange differences, as of 1st January, 2015, and has notified the competent tax office within the statutory deadline, has to apply it until at least the end of 2017. The accounting method chosen may be waived as of 1st January, 2018.</p> <p>If you select the balance method of calculating exchange differences, taxpayers on the 1st day of the fiscal year from which this method was chosen, include income or deductible expenses accrued, exchange rate differences, determined on the basis of the accounting regulations on the last day of the previous fiscal year. From the first day of the tax year for which you have chosen this method, apply the principles of the Accounting Act for calculating the differences</p> |
| Capital gains | <p>Capital gains are taxed as ordinary income at the standard corporation tax rate 19%.</p> |
| Foreign tax credit | <p>Foreign tax paid may be credited against Polish tax on the same profits, but the credit is limited to the amount of Polish tax payable on the foreign income.</p> |
| Incentives | <p>Expenses incurred for acquiring technological knowledge may reduce the taxable base in certain cases. a one-time depreciation write-off up to 50,000.00 EUR also may be available for small and start-up taxpayers.</p> |
| Profits from investments | <p>Are taxable, are taxed at the CIT rate of 19%</p> |

Directive for the taxation of the parent and affiliated company

Exemption from withholding tax of capital gains distributions provided that:

- Holding period 2 years
- Minimum shareholding: **10%**

Payments for interest and royalty to non-residents

Tax exemption applies to:

- Only for interest and royalty payments made between associated companies (parent-subsidiary relationship, or sister-sister-company)
- Thereby, the beneficiary of the payment must maintain a capital shareholding of minimum **25%**

Amortisation of enterprise value (goodwill)

- Possible for an asset deal, but only performing the purchase of the whole company respectively a separable part of the business operations
- Not possible in case of a share deal

Taxation of taxable groups of companies

Possible important pre-conditions (all the following conditions must be met):

- The parent company must have at least **95%** of shares in the equity of other companies in the Group
- These other companies within the Group must have a minimum of 1 million PLN
- To be able to generate income of at least **3%** of the gross income in each tax year
- Part of a capital Group should be a limited liability company and public company limited by shares

Tax collection dates and deadlines

- Annual tax declaration: filing until the 31 March of the following year, having a deviating tax year until the last day of the third month following the closing date of the tax year
- During the fiscal year monthly payments on corporate income tax are due. Payments must be settled until the 20th of the following month

Residence

A corporation or a limited joint-stock partnership (with some temporary exceptions) is tax resident in Poland if its registered seat or management is located in Poland.

Taxable income

Corporation tax is imposed on a company's profits, which consist of business/trading income, most passive income and capital gains. Normal business expenses (with some limitations) may be deducted in computing taxable income.

CORPORATE INCOME TAX (CIT) CONTINUATION

The consequences of settlement of liabilities by type of transferring (Corporate Income Tax {CIT}, VAT & Private Income Tax {PIT})

From 1st January, 2015, the settlement of liabilities through non-cash contributions will generate taxable income by the debtor. The taxable income is defined as the amount of debts, which shall be settled through non-cash contributions. If the market value of the non-cash contribution exceeds the nominal amount of the debt, this may be applied with the restriction that in these cases the market value of the non-cash contribution is taxable.

If payables are settled through non-cash contributions, the amount of the claim is tax deductible, but reduced by:

- the VAT payable for the non-cash contribution, as well as
- the sum of the depreciation carried out

A provision will be added, according to which the value of the received non-cash contribution is the same amount as the repaid loan (credit), will not be considered as taxable income.

Another regulation added, which states that the purchase value of properties, as well as the intangible and tangible assets, which have been received as non-cash contributions for the settlement of payables, are defined by the value of the settled debt.



Income taxes of Controlled Foreign Companies (CFC)

The Corporate Income Tax (CIT) and Personal Income Tax (PIT) regulations will be introduced providing provisions to the rule on taxation of CFC's.

Basically, a CFC is a company, that meets all the following criteria:

- Level of control - the Polish taxpayer owns for an uninterrupted period of 30 days per year, not less than **25%** of share capital, voting rights or share in profits of a foreign company
- Nature of the received income - at least **50%** of that company's 'passive income' is, i.e. financial income like dividends, shares, receivable account, and copyrights, and so on
- The location of the company in a country with a low level of taxation (i.e. tax haven), at least one type of 'passive income' of the foreign company will be taxed at a rate equivalent to at least **25%** less than the Polish rate for CIT/PIT, or if the income is exempted from taxes)

In some cases, a CFC is exempt from taxation (this is due to statutory requirements, among other things, it can depend on the country of residence of the foreign company, the nature of their business and the amount of income received).

The taxable amount of a CFC shall be the income according to CIT-/PIT-Law, but only for income attributable to the Polish taxpayers and the corresponding period of ownership share in the company profits.

The Polish taxpayer will have the opportunity to deduct the dividend received from the CFC and the amount realised from the sale of share in the CFC from the income mentioned above.

The taxpayers will be required to:

- Registration of the CFC
- Independent management of the accounting, event recording, which will have influence on the income of the CFC, as well as
- Notification of the profit of the CFC

The registration and the recording will not be necessary, if the CFC's entire income is subject to taxation in a country within the EU or the EEA and also exerts its actual business in this country.

CORPORATE INCOME TAX (CIT) *CONTINUATION*

The taxation of transformed companies with profits that have been transferred to other types of capital than share capital

In the case of converting a company, that is an income taxpayer, into a company that is not such a taxpayer, the taxable income from shared profits and non-distributed profits will be increased by profits that are transferred into other types of capital stock.

So-called equity loans

From 1st January, 2015, Article 20, Paragraph 16 of the Corporate Income Tax law (CIT) introduced that it will exclude tax exemptions for dividends or other income from profit shares of legal persons, payable between associated enterprises. However, this only applies to dividends, which are in another country, or other income-paying company, which may thus be deducted from the taxable income or tax base by the paying company.



**Regulations
regarding the validity
of Certificates of
Residence (CoR)**

From the beginning of the year 2015, the Polish tax authorities will change the principles concerning the acknowledgement of the Certificates of Residence (CoR), which means confirming the place of the seat or the residence of foreign business partners for tax purposes.

The presentation of a valid CoR will allow entrepreneurs to apply the provisions concerning the avoidance of double taxation in the case of payments for foreign business partners (e.g. dividends or royalties). The absence of a valid CoR, at the moment in which the payments are executed, this will allow the Polish entrepreneur to be charged and pay the withheld tax according to the rates settled in Polish income tax acts, without any tax credits or exemptions from withholding the tax.

According to the current practices, the CoR without an expiration date remains valid, until there is a change of status or tax residence of the business partner. Generally, it was sufficient to renew the CoR every few years or immediately after the tax status of the payment's receiver has been changed.

This new introduced amendment will have the impact on the CoR without an expiry date, which shall become invalid automatically 12 months after the issue date. These certificates after the expiration date will become invalid from the date indicated on the document.

For precautionary reasons we would like to recommend, that if required, you obtain a new CoR for the purpose of confirming the tax residence of foreign business partners. Even from the beginning of January 2015 there are certain doubts that might arise on the validity of certificates issued in 2014 and in the previous years, due to this Polish entrepreneurs may be sent a charge for the withholding of tax inline with the higher rates.

For further information or notices regarding the requirements on CoR and the topic of the withholding tax, please don't hesitate to contact us. We will happily help with any queries or questions.

OTHER TAX ON CORPORATIONS

| Capital duty | Capital duty is levied at 0.5% of the nominal value of share capital. | | | | | | | | | | |
|--|--|------------------------|--|---|-------------------------|-----------------------|-------------------------|--|--------------------------|------------|---|
| Real property tax | <p>Tax is generally levied on the owner of real estate (land, buildings and construction) at rates imposed by the local authorities.</p> <p>Property tax rates depend on property type and location. Tax is paid annually. Tax rates are determined by district authorities, and in 2015, they cannot exceed:</p> <table border="1"> <thead> <tr> <th colspan="2">Property type Tax rate</th> </tr> </thead> <tbody> <tr> <td>Land designated for the conduct of business</td> <td>0.89 PLN/m²</td> </tr> <tr> <td>Residential buildings</td> <td>0.75 PLN/m²</td> </tr> <tr> <td>Buildings designated for the conduct of business</td> <td>22.86 PLN/m²</td> </tr> <tr> <td>Structures</td> <td>2% of the property value (entered as the basis for depreciation)</td> </tr> </tbody> </table> | Property type Tax rate | | Land designated for the conduct of business | 0.89 PLN/m ² | Residential buildings | 0.75 PLN/m ² | Buildings designated for the conduct of business | 22.86 PLN/m ² | Structures | 2% of the property value (entered as the basis for depreciation) |
| Property type Tax rate | | | | | | | | | | | |
| Land designated for the conduct of business | 0.89 PLN/m ² | | | | | | | | | | |
| Residential buildings | 0.75 PLN/m ² | | | | | | | | | | |
| Buildings designated for the conduct of business | 22.86 PLN/m ² | | | | | | | | | | |
| Structures | 2% of the property value (entered as the basis for depreciation) | | | | | | | | | | |
| Social security | Employers and employees must make social security contributions in an amount that is approximately 35% of an employee's remuneration (with certain caps). | | | | | | | | | | |
| Stamp duty | Stamp duty is levied, for example, when filling a power of attorney and when the (central or local) authorities are requested to perform activities such as issuing certificates, grant permission, etc. The applicable rates or fixed amounts are specified in the stamp duty law. | | | | | | | | | | |
| Transfer tax | Tax is imposed at a rate of 1%-2% on certain types of transactions (e.g. sales, exchanges of rights, loans) that are not generally covered by VAT. As a rule, transactions exempt from VAT are exempt from transfer tax (except for real estate and shares). | | | | | | | | | | |
| Other | Excise tax is charged on turnover of selected goods. Shipping companies may opt to pay tonnage tax on certain types of income. A special tax is imposed on the excavation of silver and copper. | | | | | | | | | | |

ANTI-AVOIDANCE RULES

| | |
|--------------------------------|--|
| Transfer pricing | The tax authorities are authorised to make necessary adjustments if they find that transactions between related parties do not accord with the arm's length principle. Transfer pricing documentation must be prepared for related party transactions exceeding a certain materiality threshold. |
| Disclosure Requirements | Certain transactions must be reported to the tax authorities and/or National Bank of Poland. |

PRIVATE INCOME TAX (PIT)

| | |
|--|--|
| Legal basis | Law dated 26 July, 1991, on Income Tax |
| Registration <i>For tax purposes, if PESEL is not applicable</i> | Needs to be performed in the relevant tax office before the date when first PIT advance is due. |
| Tax period | For natural persons: Calendar year |
| Tax rates <i>(provided that no flat rate taxation scheduled)</i> | 0 - 85,528.00 PLN: 18% minus 556.02 PLN from 85,528.00 PLN: 14,839.02 PLN + 32% above 85,528.00 PLN |
| Tax-free income <i>(income tax allowance)</i> | 3,091.00 PLN (ca. 750.00 EUR) |
| Tax period | For natural persons: calendar year |
| Tax liability | <ul style="list-style-type: none"> unlimited tax liability on worldwide income (unless a Double Taxation Treaty does confine the taxation obligation) natural persons, who stay in Poland longer than 183 days a year, who have their center of their economic activity or their centre of vital interests in Poland limited tax liability in certain domestic income natural persons who neither stay in Poland longer than 183 days a year, nor who have their center of their economic activity or their centre of vital interests in Poland <p>PLEASE PAY SPECIAL ATTENTION TO: In contrast to the German tax law there is no distinction between profit and surplus income</p> |
| Revenue streams | <p>8 different revenues from:</p> <ol style="list-style-type: none"> Special areas in agriculture Economic activity Self-employed (personally performed) activity Employed activity Capital investment and property rights Rent & leasing Capital gains from transfers Other income |
| PIT progressive rates | 18% and 32% for the excess over 85,528.00 PLN (ca. 21,000.00 EUR) (applicable e.g. to employment income or income on dependent services) |
| PIT flat rate | <p>20% (applicable to board members, being Polish tax non-residents after having completed certain requirements)</p> <p>19% (applicable e.g. to Interest, capital gains)</p> |

PRIVATE INCOME TAX (PIT) CONTINUATION

| | |
|---|---|
| Monthly tax compliance | PIT advances for a given month to be paid by 20th day of the following month |
| Annual tax compliance | Annual tax return for a given year to be submitted by 30 April of the year following the given year (with some exceptions) |
| Relevance of the tax authorities | Both registration form as well as payment of PIT liabilities and submission of annual PIT return should be made to the tax office relevant for Polish tax non-residents in the region where a foreign individual stays or to the III Tax Office Warszawa Śródmieście if the work is rendered on the territory of more than one region |
| Tax residency | <p>Foreign individuals arriving to Poland may become Polish tax residents if their centre of vital (economic or personal) interest moves to Poland, or if they spend in Poland more than 183 days in a tax year.</p> <p>Foreign individuals having their domicile in Poland (i.e. having status of Polish tax residents) are subject to unlimited tax liability in Poland, i.e. they are subject to taxation in Poland on their worldwide income, while individuals not domiciled in Poland (i.e. having status of Polish tax non-residents) possess limited tax liability status in Poland, i.e. they are subject to taxation in Poland only with respect to income earned on the territory of Poland.</p> <p>It should be noted that in order to determine the tax residency status, the regulations of the relevant Double Tax Treaty concluded by Poland should be also taken into consideration.</p> |
| Legal basis for rendering work in Poland | <p>Employment contract with the Polish entity</p> <p>Regardless of the tax residency of the foreign individuals, income received by them under the employment contract concluded with the Polish entity is always subject to the Polish PIT according to the progressive rates of 18% and 32%. The Polish employer is obliged to pay monthly PIT advances on the discussed income calculated according to the progressive PIT rates. Foreign individuals are obliged to calculate their final annual tax liability for given year as well as submit the annual PIT return until 30 April of the following year.</p> |

Legal basis for rendering work in Poland *(cont.)*

Foreign employment contract and secondment to Poland

a) Polish tax non-residents

The foreign individuals are personally responsible for all PIT compliance activities required by Polish PIT law, i.e. neither foreign employer nor host entity have any obligations in this respect. Please note that the taxable income for Polish PIT purposes includes all income obtained in connection with work in Poland, including remuneration, bonuses of all kind and benefits-in-kind. Thus, most benefits provided by the employer or host entity along with or in place of salary are taxable as regular employment income. Income earned by the foreign individuals in Poland may not be subject to PIT in Poland starting from the first day of his or her stay in Poland, only if the following conditions defined in the relevant Double Tax Treaty are simultaneously met:

- presence in Poland last in the aggregate less than 183 days during the particular tax year of 12 consecutive months (depending on the Double Tax Treaty, and
- the remuneration is paid by, or on behalf of, an employer who is not a resident of Poland (it should be however noted that appropriate analysis of economic employer concept should be performed to assess if this condition is met), and
- the remuneration is not borne by a permanent establishment of the employer in Poland

If one of the above conditions is not met remuneration from the foreign employment contract is subject to progressive PIT taxation in Poland, as of the first day of his/her stay in Poland. PIT advances on income received from foreign employment contract should be paid on a monthly basis for the months, in which the discussed income was received. PIT advance for the given month shall be paid by the 20th day of the following month with the use of **18%** PIT rate (**32%** rate may be also applied). Foreign individuals are obliged to calculate their final annual tax liability with the use of progressive PIT rates. Foreign individuals are also obliged to submit the annual PIT return until 30 April of the following year. Only income related to work performed in Poland is reported for Polish PIT purposes.

b) Polish tax non-residents

Generally, the same rules applicable to Polish tax non-residents as mentioned in point a) above should be also applied in case of foreigners being Polish tax residents. As a consequence, the foreign individuals are personally responsible for all PIT compliance activities required by Polish PIT law, i.e. neither foreign employer nor host entity have any obligations in this respect. Please also note that the taxable income for Polish PIT purposes includes all income obtained in connection with work in Poland, including remuneration, bonuses of all kind

PRIVATE INCOME TAX (PIT) CONTINUATION

Board members

a) Polish tax non-residents

Income realised by foreign individuals, being Polish tax non-residents and appointed as the members of the management board of a Polish entity based on the relevant shareholders' resolution may be subject to **20%** flat rate taxation in Poland. All PIT compliance obligations related to this scheme are performed by a Polish entity of which the individual is a board member.

b) Polish tax residents

If a foreign individual being a member of the board of a Polish entity would become Polish tax resident, income received from the membership in the management board based on the relevant shareholders' resolution would be subject to progressive PIT taxation in Poland. In such a case the Polish entity would be obliged to pay month PIT advances on the discussed income calculation according to the progressive PIT rate of **18%** (upon taxpayer's choice **32%** PIT rate can also applied) while the year-end final reconciliation is made according to progressive PIT rates up to **32%**. Foreign individuals are also obliged to submit the annual PIT return until 30 April of the following year.

Revenue costs: (for income from self-employment)

| | | |
|---|----------------|--------------|
| From an employment contract | Monthly | 111.25 PLN |
| | Annually | 1,335.00 PLN |
| From several employment contracts | Annual maximum | 2,002.05 PLN |
| From an employment relationship for foreign employees | Monthly | 139.06 PLN |
| | Annually | 1,668.72 PLN |
| For more employment for foreign employees | Annual maximum | 2,502.56 PLN |

Income from self-employment

- Income of persons belonging to, regardless of the manner of their appointment, directors, supervisory boards, commissions or other decision-making bodies of legal persons
- Revenue from services rendered in the conduct and management on the basis of the contract or contracts for work

Income from economic activity

In particular income from trade or business which include the income of self-employed among others:

- Manufacturing, construction economics, trading/providing services employment
- Work related to mining
- Employment in connection with the use of property or rights

This type of income also covers acquisition revenue from the sale of operating assets, unless it is property for residential purpose.

Option opportunity for income from economic activity:

Since 01/2004 those revenues can be taxed with a linear tax rate of **19%** deviating from the regular taxation (on application of the taxpayer until the 20th January each year)

But: by choosing so, deductions from the taxable base and joint assessment with the spouse can not be drawn on.



PRIVATE INCOME TAX (PIT) CONTINUATION

Taxation of so-called 'cashbacks' received from banks, co-operatives or other financial institutions will receive a flat-rate of an income tax rate of 19%

From 1st January, 2015, Article 30, Paragraph 1, Ref. 4b will be added to the Personal Income Tax act (PIT), regulating that cashbacks received from banks, co-operatives or other financial institutions are taxable with a flat-rate of **19%**. This tax will be withdrawn by banks, co-operatives and other financial institutions who are obliged to pay cashbacks.

Private use of company cars from January 2015

From the start of 2015 the private use of a company car up to and including an engine size of 1,600cc (cylinder capacity) will be taxed on the basis of a assumed cash benefit of 250.00 PLN. The tax rate will be **18%**, so an employee must pay 45.00 PLN taxes (PIT) each month.

When a company car with a cylinder capacity exceeding 1,600cc, the value of the private use will be 400.00 PLN, so the taxation amount will be 72.00 PLN.

If the employee only uses the company car only part of the month for private purposes, then the value of compensation for each day of the private use needs to be calculated. Therefore, the amount of tax calculated by the employee can in fact be lower than the amount established by law. In such a case, the internal rules of the company are crucial in calculating the amount of fringe benefits for the private use of company cars.

Moreover, the value of the employee benefit, in the form of the collective transportation to work, organised by the employer for his employees will be exempt from tax, starting from the start of 2015. As a pre-condition, the vehicle used for this purpose must be designed to carry more than 9 people including the driver.

*Our experts on
Tax and Legal advisory will
serve you with help and advice.*



VALUE ADDED TAX (VAT)

| | |
|---------------------|---|
| Legal basis | Act of 11 March, 2004 on the taxation of goods and services |
| Tax rates | <ul style="list-style-type: none"> • Standard Tax Rate 23% • Reduced Tax Rate 8%: (e.g. some foods, plants, associated with health goods, catering and hotel services, transportation services, public housing) • Reduced tax rate 5%: (Especially food, specialist books and journals) • Reduced tax rate 0%: (Export of goods, Intra-Community supplies of goods) |
| General | <ul style="list-style-type: none"> • Values Added Tax on goods and services is a broad-based tax levied on the supply of goods and services in Poland. • Polish regulations are based on EU directives. |
| Registration | A Polish entity is required to register for VAT once its annual turnover on transactions subject to VAT exceeds 150,000.00 PLN. Foreign entrepreneurs must register for VAT in Poland before they start any VAT-able activity in Poland (except for limited and expressly listed cases). Based on the Polish Fiscal Penal Code if an entity obliged to register for VAT purposes fails to fulfil this obligation, it will be liable to pecuniary penalty for fiscal offence in an amount determined individually in each case (multiples of the lowest monthly salary). |
| Compliance | <p>(a) Invoicing</p> <p>Transactions between VAT taxpayers must be documented with invoices. The Polish VAT laws strictly regulates the elements that should be included in invoices. In general, an invoice should contain at least the following obligatory data:</p> <ul style="list-style-type: none"> • name and surname or business name of the seller and its address • name and surname or business name of the purchaser and its address* • Polish tax identification numbers of the purchaser and the seller • sequential number of the invoice that identifies the invoice • date of issue • date of supply - if such date is determined and differs from the invoice issue date (in the case of continuous supplies the taxpayer can indicate the month and year of the supply) • name (kind) of goods or services • unit of measure and quantity of the goods sold or scope of the services rendered* • unit of price of the goods or services without VAT (Net unit price)* • value of the potential rebates, including these for the earlier payment, if they were not included in the net unit price |

Compliance (cont.)

Please note that from the beginning of 2013 so called simplified invoices were introduced to the Polish VAT provisions. Such invoices may be applied in case the total amount due on the invoice does not exceed 450.00 PLN or 100.00 EUR (if the invoice is issued in EUR). Simplified invoices may not include elements of the invoice that are marked with "*" on page 26 provided that the invoice includes information enabling to determine the value of VAT in relation to particular VAT rates.

(b) EU VAT tax

In January 2010 Polish VAT provisions were amended to accommodate the VAT package introduced into EU legislation. Generally, the Polish provisions reflect the VAT Directive in this respect and the services are subject to VAT in the country where the recipient of the services is established (with certain exceptions, especially concerning the services related to immovable property).

(c) Filing

Registered VAT taxpayers are required to submit monthly or quarterly returns to the competent tax office and keep registers of purchases and sales subject to VAT. Additionally, registered VAT EU taxpayers performing intra-community and acquisitions of goods into Poland and intra-community supplies of goods and services from Poland are also required to submit EC Listings returns on a monthly bases (or a quarterly basis - provided certain conditions are met).

(d) Payment/refunds

The tax due to the tax authorities is calculated as the output VAT minus the input VAT on purchase invoices.

As a rule, the surplus of output VAT over input VAT must be paid within 25 days following the month in which the VAT obligation arose (for small taxpayers, the VAT due must be paid within 25 days following the quarter in which the VAT obligation rose). If the input VAT exceeds the output VAT, a VAT refund is generally available.

(e) Penalties

In general, if the obligations binding upon Polish VAT taxpayers are not fulfilled, the tax authorities may impose the penalties provided for in the provisions of the Polish Fiscal Penal Code. Additionally, if any VAT liability arises, taxpayers are obliged to pay the outstanding VAT amount due along with the attendant penalty interest.

VALUE ADDED TAX (VAT) *CONTINUATION*

Application to non-residents

The entities without the status of Polish residents (i.e. seated outside Poland) performing transactions taxable in Poland according to the Polish VAT provisions (e.g. intra-community acquisitions of goods in the territory of Poland) are obliged to register for VAT purposes in Poland, as a consequence, fulfil the obligations imposed under Polish VAT law on registered VAT taxpayers.

It should be noted however that the obligatory reverse-charge mechanism (settlement of tax by the purchaser) was introduced on 01 April, 2011, in respect of the supply of goods and services by foreign taxpayers that do not have their fixed establishment for VAT purposes. Please note that starting from 01 April, 2013, the reverse-charge mechanism is not applicable (with certain exceptions) to the supply of goods if the foreign taxpayer without fixed establishment in Poland being a supplier is registered for VAT purposes in Poland. In such a case a foreign supplier (not the purchaser) is obliged to charge VAT on these supplies in Poland.

Taxable supply

VAT is imposed on the supply of goods and the provision of services in Poland, the import into Poland, export of goods, intra-community acquisitions of goods and intra-community supply of goods unless the transaction is exempt.

Deliveries

The tax concerns a paid delivery of goods, which also includes, inter alia, a gratuitous transfer of part of the company goods, the right to deduct input tax on the acquisition by the state, provided that the taxpayer had the right to deduct such input tax on the acquisition or manufacturing of such goods.

Gratuitous transfers

A gratuitous transfer of gifts of small value and samples are not subject to taxation, as long as it is made for associated with the business purposes. Handovers of publicity and information printing materials are now generally not excluded from taxation. a new definition of the sample has been introduced.

Place of supply of goods

- The goods from the supplier, purchaser or a third party dispatched or transported - place where the goods are located at the beginning of transportation or shipment to the purchaser
- The goods are not dispatched or transported - the place where the goods are located at the time of delivery

Services

Principally these are all services that are not goods. Tax base is the amount by which the service has been paid.

If you have questions related to particular tax topics, please contact us at your earliest convenience.



VALUE ADDED TAX (VAT) *CONTINUATION*

Place of performance **Rule:**

- Place of service in favour of a taxpayer (businessman) is the location of its registered office (or fixed place of management or permanent residence)
- Place of service in favour of a subject who is not an entrepreneur (consumer), is the country of the seat (or fixed place of management or fixed place of residence) of the power generator

Exeptions:

- Intermediation services in favour of final consumers - place of the primary activity with real estate related services - location of the property
 - Transportation services:
 - » Transport of persons - the place of transport, taking into account the distances covered
 - » Transport of goods in favor of consumers - the place of transport, taking into account the distances covered
 - » Transport of goods in favour of consumers, the beginning and the end of the movement on the territory of two different member states take place - the place of commencement transport
 - Support services to the transport services - place of activity execution
 - Services in the field of arts, culture and nature of the sport, science, education, entertainment:
 - » In favour of contractors - Application is the basic rule (location of the seat of the contractor)
 - » Favor of consumers - the place of activity execution
 - » Admission to an event (business and consumer) - location of event
 - Restaurants and catering services - place of activity execution
 - Short term rental of means of transport - place where the means of transport is actually put at the disposal of the customer
-

Place of performance*(cont.)*

- Electronic services:
 - » In favor of contractors - application is the basic rule (location of the seat of the contractor)
 - » In favour of final consumers
- Based / resident outside the EU or based / resident in the EU, where the services are provided from a third country by a resident service suppliers - location of the seat / domicile of the beneficiary
- Based / resident in the EU, where the services are provided from an EU Member State by a resident service suppliers - location of the seat (or fixed place of management or fixed place of residence) of the power generator
- Intangible services (e.g. sale of rights, advertising, legal, banking, financial and insurance services, supply of staff) in principle apply the basic rule exception applies only to consumers, have the office / residence in a third country - location of the seat / residence of the beneficiary
- Telecommunications, radio and television broadcasting services - exemptions, if the services are rendered for the benefit of end users vary by domicile / residence of both the provider and the service recipient
- Services in the tourism sector - location of the seat (or fixed place of management or fixed place of residence) of the power generator

New special procedure for the VAT rules on telecommunications, radio and television, as well as on electronic services

Effective from 1st January, 2015, there is a new VAT procedure for telecommunications, radio and television, as well as electronic services supplied to non-taxable persons. This will include all services to private consumers supplied by entities/persons which are established in the EU and which are not located in the country of consumption (EU), according to Article 130a-130d of VAT Act. All previous provisions defining the place of performance of these services (Article 28m of VAT Act) are lifted with effect from 1st January, 2015.

According to these amendments the place of performance will always be the legal domicile, the place of residence or habitual residence of the non-taxable consumer (Article 28k of VAT Act) of telecommunications, radio and television, as well as electronic services. This shall apply regardless of supplier's status and the location of his business activities.

Changes will also be made in relation to foreign entities (entities not resident or have a permanent place of business within the territory of the EU).

VALUE ADDED TAX (VAT) CONTINUATION

| | |
|--|--|
| Reverse Charge “Reversal of the tax liability“ | <p>Requires the performing entrepreneur is a foreigner (in Poland has neither a residence nor fixed place of management) and the receiver is Polish VAT payers. Invoices without VAT, reference on passage of tax liability, tax identification numbers of the entrepreneurs, both supplier and beneficiary.</p> <p>As of 01 January, 2013, the foreign trader is obliged to settle the tax:</p> <ul style="list-style-type: none"> • if he provides real estate related services, and is registered for VAT purposes in Poland, in the case of other services, the control of the Polish beneficiaries must be settled • in the case of goods trade, the foreign supplier is obliged to settle the tax if he/she for VAT purposes in Poland |
| Clearing of the supplies, for which the buyer stays tax liable (reverse charge) | <p>So far, the reverse charge procedure was in any case the acquisition of goods by foreign taxpayers who have in Poland neither seat nor fixed place of management, application. Since 01.04.2013 the reverse charge procedure does not apply if the foreign supplier is registered as a Polish VAT. In such a case the sales tax is charged according to the general rule.</p> |
| Real estate | <p>VAT is owed by the purchaser.</p> |
| Rental | <p>Subject to VAT in either case.</p> |
| Sale | <p>Subject to either the VAT or the tax on civil law transactions. The latter is payable if the VAT exemption or neither side VAT payer is.</p> |
| Tax exemption | <p>Distinction concerning 0% tax rate or exemption</p> |
| 0% Tax Rate | <p>Inter alia</p> <ul style="list-style-type: none"> • Intra-Community supplies of goods • Export of goods • specific costs directly linked to the export of commodities related services, • international transport services • Services in the scope of processing and refinement of goods |
| VAT exemption inter alia | <ul style="list-style-type: none"> • Delivery of second-hand goods used solely for the purposes of an activity exempt (net of tax) • Financial services (provision of loans, management of bank accounts, money exchange) with the exception of leasing, factoring or advice • Insurance and re-insurance services • certain medical services • certain education services • Services in the area of social welfare • Services in the area of social insurance • Certain services in the area of culture or sport |

Input tax reduction

No deduction for the purchase of accommodation services as well as catering services.

VAT deductible amount to depend on what the vehicle is used for

The rules of VAT deductibility on motor vehicles with permission maximum weight not exceeding 3.5 tonnes change from 01 April, 2014. The deductible amount depend on what a taxpayer uses the vehicle for. If a car is used for mixed purposes, that is, for both business and private use, the right to deduct limited. But if a taxpayer uses a car exclusively for own business purposes, they are entitled to deduct the full VAT amount. A full right to deduct shall also apply when a motor vehicle is structurally designed to transport at least 10 persons including the driver (must follow from vehicle documents).

Limited deductibility - not only VAT on purchase

If a motor vehicle with the permissible maximum weight not exceeding 3.5 tonnes is used for both business and private use, the taxpayer will be entitled to deduct **50%** of VAT. This applies not only to VAT on purchase, ICA or import of vehicles (as it used to be), but also to VAT on repair, operation and purchase of component parts. The **50%** limit is not capped by any amount. Consequently, the taxpayer will be entitled to deduct **50%** of VAT regardless of the VAT amount shown in the invoice. The **50%** limit will also apply to vehicles used under lease, rental or similar agreements.

Unlimited deductibility - recording obligations

The taxpayer will be entitled to deduct **100%** of VAT provided that the vehicle is used exclusively for the taxpayer's business activity purposes. Furthermore, the following conditions must be met:

- The taxpayer must establish the rules of using the vehicle saying that they may be used exclusively for the taxpayer's business purposes
- A vehicle mileage logbook must be kept for the vehicles used exclusively for the taxpayer's business purposes.

The vehicle mileage logbook should include, without limitation: vehicle registration number, logbook's start and end date; odometer count and number of kilometres driven. It should be kept starting from the date when a vehicle is used exclusively for the taxpayer for the taxpayer's business activity.

If the taxpayer fails to file the above-mentioned information on time, his vehicle will be considered to be used exclusively for business purposes only after the day the information is filed.

VALUE ADDED TAX (VAT) *CONTINUATION*

Input tax reduction

(cont.)

Information filing deadlines

Taxpayers who are going to use cars exclusively for business purposes, for which a logbook will be kept, will be obliged to notify the head of competent tax office of the vehicles used exclusively for business purposes (VAT-26 form). The VAT-26 information should be filed within statutory deadlines.

Liability for breach of the information obligation

A taxpayer who fails to file the VAT-26 information on time or who provides false information, and deducts **100%** of VAT at the same time, is subject to penal and fiscal liability (fine of up to 720 so-called daily rates, where such daily rates range from 56.00 PLN to as much as 22,400.00 PLN).

Fuel - no deduction until 30 June, 2015

VAT on purchase of fuel for, amongst other things, passenger cars, cannot be deducted until 30 June, 2015. This limitation does not apply to vehicles used exclusively for business activity purposes.

Car lease - contract made before 01 April, 2014

The 50% deduction limit does not apply to lease instalments, rent etc. for vehicles used under a lease, rental or similar agreements made before 01 April, 2014, on which the entire VAT amount invoiced is deductible as of 31 March, 2014.

- Fundamental period - 60 days from the date of filing the tax return, shortening to 25 days possible (assuming all reported in the tax return accounts must be settled at the time of filing the tax return)
- 180 days - if in a given billing period no taxable transactions were made

Foreign companies

Companies that do not have a seat or fixed place of management in Poland.

Registration of foreign companies

Principally there is no obligation to register.

Re-imbursment of input tax for foreign companies

- Can be filed for:
- Application in Polish language for entrepreneurs from the EU - in electronic form
 - Appropriate Revenue Office: II Warsaw-Srodmiemie
 - The application can cover a period of minimum 3 months and can not exceed 1 year
 - Handing over until the 30th of September of the following year
 - Issued by the tax office on the amount of the recognised tax is generally issued within 4 months from the application levy
 - Reimbursement will be made within 10 working days of the decision

Intra-Community transport

- Intra-Community acquisition
- Intra-Community supply

Intra-Community supply (to registered entrepreneurs)

Provided that the following conditions are fulfilled, a tax rate of **0%** in Poland will be applied:

- The supply was carried out towards an entrepreneur registered for VAT-purposes in another membership country of the European Union, and
- The goods have left Poland and the supplier has appropriate evidence, and
- The supplier has mentioned the correct tax identification number on the invoice

To end users

The taxation on supplies of goods to consumers (private individuals) in another membership country of the European Union takes place in Poland.

Exceptions:

- Means of transport, inter alia passenger cars, are always taxed in that country to which the consumer ships the new means of transport
- Mail order business (the goods will be dispatched on behalf of the supplier in favour of final consumers, provided that the value of the sold goods exceeds on the side of the supplier a certain price limit)

Reporting requirements

- Summing up reports are to be delivered in general on a monthly base
- To be captured:
 - » Intra-community deliveries of merchandise
 - » Intra-community purchases
 - » Deliveries under the so-called intra-Community supply triangle
 - » Services to foreign companies (from EU Member States), in which the tax liability to beneficiaries passes

When the tax changes become chargeable

The tax liability will no longer depend on the invoice date. Generally the tax liability will arise when goods are supplied or services are rendered. Most of the changes in force are concerning special tax liabilities that will be repealed and replaced by new arrangements.

VALUE ADDED TAX (VAT) *CONTINUATION*

| | |
|--|---|
| Definitions of the tax base | <p>The modifications of the rules is the direct implementation of the definition contained in the VAT directive. The new tax base includes all payments, which have a direct impact on the price of goods and services rendered by the taxpayer. The new VAT regulation explicitly mentioned what is included in the tax base, like additional costs (commissions, packing and transportation costs, as well as insurance costs). In case of free deliveries or services the values or comparable prices of the goods and services concerned will build the new text base. If there are no comparable prices the tax base includes all costs incurred at the tax point.</p> |
| Time restrictions on the deduction of input tax | <p>The right of deduction arises in the period in which the seller's tax liability, in relation to the goods or services supplied become chargeable, but should not be earlier than in the tax return for the period in which the buyer received the invoice or customs documentation. Therefore, it is very important from 1st January, 2014, that you are certain when the tax liability has arisen due to the documented through the relevant invoice.</p> <p>The regulations give you the right to deduct intra-Community acquisitions of goods from the receipt of the seller's invoice. If you do not receive the invoice within 3 months, the taxpayer will have to make a corresponding adjustment i.e. reduction of input tax claimed. The correction of the reduced deduction will be possible at the time the invoice was received.</p> |
| Invoicing requirements | <p>The most significant change in terms of invoicing, which entered into force on 1st January, 2014, is the possibility of invoicing no later than the 15th day following the month when the goods were supplied or services rendered. It is also possible to issue the invoice prior to the time of delivery or performance, but not earlier than 30 days before that date.</p> |
| Changes in VAT 2016 - prefactor | <p>From 2016 a preproportion was introduced which relates to VAT deduction on expenditures for both the business activities and activities of a different nature, which cannot be fully attributed to only one of the two categories of activities. This change is of great importance in particular for local government units, performing their own tasks which go beyond VAT and activities on the basis of civil law contracts subject to VAT, but also any taxpayer whose activities go under VAT and activities falling outside the scope of the VAT Act.</p> <p>The method of calculating the prefactor was left to the taxpayer, with the VAT Act introducing a catalogue of illustrative data that can be taken into account:</p> <ul style="list-style-type: none">• personnel data• area data• financial and trading data• time-related data. |

Changes in VAT 2016
- prefactor *(cont.)*

The choice of the method used to calculate the value of the prefactor is free, but the preindicator must be representative and meet the specifics of the taxpayer's business.

The regulation introduced in 2016 significantly restricts the right to deduct input VAT for taxpayers engaged in mixed activities (VAT and non-VAT).



TAXES ON CIVIL AGREEMENTS (PCC)

| | |
|--------------------------------------|-------------|
| Purchase of real estate: | 2.0% |
| Memorandum of association: | 0.5% |
| Loans: | 2.0% |
| Proprietor/Shareholder-loans: | 0.5% |

TAX AUDIT AND LEGAL RECOURSE IN POLAND

| | |
|---|---|
| Control measures | The formal correctness of the tax declaration stands in the focus of the control. A separate tax bill is not created. |
| Audit of the Tax Office | Determination of the tax liability on the merits and amount. The revenue office issues a protocol thereafter, which can serve as evidence in a tax proceeding. |
| Control method | It is determined whether the taxes were paid on time. If default interest accrues, the tax authority shall issue a tax assessment in the amount of tax due and default interest are fixed. |
| Tax audit performed by the finance control group | It is checked whether the taxpayer has declared his tax liabilities on the merits and the amount properly; If a tax liability determined, a separate tax bill enacted. Tax payers can draw on in Poland in fiscal matters on the following rights: <ul style="list-style-type: none"> • Appeal against a decision • Complaint to the Provincial Administrative Court • Nullification suit with the supreme administrative court • Legal action with the European court of justice |

GENERAL TAX LAW

| | |
|---|---|
| Ruling | Yes, relating to the fiscal circumstances of a tax payer possible |
| Consequences of delay by failure to meet the deadlines and dates | Delay penalties: currently 14% per annum (9.75% p.a. - of reduced sentence in the case of delivery of an effective correction of a tax return before the activity of the tax office) Penalties for late payment: only for VAT - up to 30% of the tax liability |
| Criminal Tax Law | Financial Criminal Law <ul style="list-style-type: none"> • Punishment for negligent tax evasion: Criminal Charges • Penalty for wilful tax evasion: Financial or Imprisonment • In principal administrative proceedings |

INTEREST

Fiscal 8% per annum

Legal 14% p.a.

Reduced rates

For tax arrears incurred from 1 January, 2016, a reduced rate of interest is applied equal to a half of the standard rate (currently **4%**), subject to the submission of a corrected tax return, in person, without the intervention of the tax authority, within 6 months from the date of expiry of the deadline to submit such tax return and the payment of tax arrears within 7 days from the date of submitting such correction.

The rate reduced by half (currently **4%**) will also apply to tax arrears generated prior to 1 January, 2016, subject to the submission of a corrected tax return from 1 January to 30 June, 2016, and the payment of tax arrears within 7 days from the date of submitting such correction.

Therefore you are encouraged to verify the correctness of the submitted tax return independently, and, if errors are disclosed, submit the correction and pay any arrears within this period. The reduced rate shall apply regardless of the amount of disclosed arrears. If the correction disclosing tax arrears incurred before 1 January, 2016, is submitted after 30 June, 2016, the rate of default interest shall be 3/4 of the standard rate (currently **6%**).

Increased rate

From 1 January, 2016, an increased rate of default interest was introduced in the amount of **150%** of the standard rate (currently **12%**) in relation to the arrears in the tax on goods and services, excise duty and customs duty.

This rate shall be applied if the tax authority detects in the course of its tax procedures (verification activities, tax audit or tax proceedings) an understatement of tax liabilities (overestimation of overpayment or tax refund) in the amount exceeding **25%** of the amount due and higher than the amount of 9250.00 PLN (5 x minimum salary), or the lack of the tax return and tax payment.

However, even for these taxes if an independent verification of the correctness of the submitted tax return is made, and, if errors are disclosed, the correction is submitted and the payment of arrears is made, the reduced rate shall apply. The reduced rate shall apply regardless of the amount of disclosed arrears.

It is therefore in the best interest of taxpayers to verify the tax return, submit the correction and pay arrears independently. This shall allow for applying a reduced rate.

TAX LIMITS IN 2016

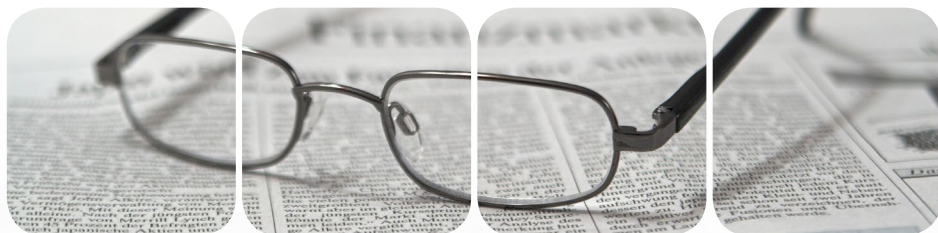
In 2016, current income limits concerning inter alia status of small-business enterprises

Small-business enterprises (maly podatnik) for VAT and Personal Income Tax: 5,092,400.00 PLN

Income limit that entitles lump-sum of taxation of recognised income: 636,555.00 PLN

The amount of net income that requires to bring records of accounts by individuals, partnerships of individuals, partnerships of individuals, partnerships and social co-operatives - 5,092,440.00 PLN

Maximum total amount of depreciation in a year, as part of one-off depreciation - 212,000.00 PLN



DOUBLE TAXATION AGREEMENT (DTA)

Double Taxation Agreement (DTA):

Poland concluded Double Taxation Agreements (DTA's) with 81 countries, which comply with the OECD Model convention.

Governance of the right for taxation looks differently in the case of share disposals in real estate companies. Following the OECD Model Convention, for those Double Taxation Agreements (DTA's) marked with 'yes', the country of location of the real estate possesses the right for taxation vis-a-vis share deals, and not the country of residence/domicile of the seller.

Tax rates mentioned in the Double Taxation Agreements (DTA's) can be applied only then, when the tax payer possesses and provides a certificate of residence issued by the Inland Revenue office of the applicable country.

| COUNTRY | ENTRY INTO FORCE | PROPERTY CLAUSE | DIVIDENDS IN% | INTERESTS IN% | LICENSES IN% |
|---------------|---------------------|-----------------|---------------|---------------|--------------|
| ALBANIA | 27.06.94 | no | 5/10 | 10 | 5 |
| ARMENIA | 27.02.05 | yes | 10 | 5 | 10 |
| AZERBAIYESN | 20.01.05 | yes | 10 | 10 | 10 |
| AUSTRALIA | 04.03.92 | yes | 15 | 10 | 10 |
| BELGIUM | 29.04.04 | yes | 5/15 | 0/5 | 0/5 |
| BULGARIA | 10.05.95 | no | 10 | 0/10 | 5 |
| CHINA | 07.01.89 | no | 10 | 0/10 | 7/10 |
| DENMARK | 31.12.02 | yes | 0/5/15 | 0/5 | 5 |
| GERMANY | 19.12.04 | yes | 5/15 | 0/5 | 5 |
| ESTONIA | 09.12.94 | no | 5/15 | 0/10 | 10 |
| FINLAND | 30.03.79 | no | 0/5/15 | 0 | 0/10 |
| FRANCE | 12.09.76 | yes | 5/15 | 0 | 0/10 |
| GREECE | 28.09.91 | no | 19 | 10 | 10 |
| GREAT BRITAIN | 27.12.06 | yes | 0/10 | 0/5 | 5 |
| INDIA | 26.10.89 | yes | 15 | 0/15 | 20 |
| INDONESIA | 25.08.93 | no | 10/15 | 0/10 | 15 |
| IRELAND | 22.12.95 | yes | 0/15 | 0/10 | 0/10 |
| ICELAND | protocol - 08.12.12 | yes | 5/15 | 0/10 | 10 |
| ISRAEL | 30.12.91 | yes | 5/10 | 5 | 5/10 |
| ITALY | 26.09.89 | no | 10 | 0/10 | 10 |
| YESPAN | 23.12.82 | no | 10 | 0/10 | 0/10 |
| CANADA | 08.12.12 | yes | 0/5/15 | 10 | 5/10 |
| KAZAKHSTAN | 13.05.95 | yes | 10/15 | 0/10 | 10 |
| KOREA | 21.02.92 | no | 5/10 | 0/10 | 10 |
| CROATIA | 11.02.96 | yes | 5/15 | 0/10 | 10 |
| KUWAIT | 25.04.00 | no | 0/5 | 0/5 | 15 |
| LATVIA | 30.11.94 | yes | 5/15 | 0/10 | 10 |
| LITHUANIA | 19.07.94 | yes | 5/15 | 0/10 | 10 |
| LUXEMBOURG | protocol - 11.12.12 | yes | 0/15 | 0/5 | 5 |

(*) Exemption from withholding tax pursuant to the directive on rulers and controlled companies (Parent-Subsidiary-Directive)

CONTINUATION

| COUNTRY | ENTRY INTO FORCE | PROPERTY CLAUSE | DIVIDENDS IN% | INTERESTS IN% | LICENSES IN% |
|-----------------------------|---------------------|-----------------|---------------|---------------|--------------|
| MALAYSIA | 05.12.78 | no | 0 | 0/15 | 0/15 |
| MALTA | 24.11.94 | yes | 5/15 | 0/10 | 10 |
| THE NETHERLANDS | 18.03.03 | no | 5/15 | 0/5 | 5 |
| NORWAY | 29.01.13 | yes | 0/15 | 5 | 5 |
| AUSTRIA | 01.04.05 | yes | 5/15 | 0/5 | 5 |
| THE PHILIPPINES | 07.04.97 | yes | 10/15 | 0/10 | 15 |
| PORTUGAL | 04.02.98 | no | 10/15 | 0/10 | 10 |
| RUMANIA | 15.09.95 | no | 5/15 | 0/10 | 10 |
| RUSSIA | 22.02.93 | no | 10 | 0/10 | 10 |
| SAUDI ARABIA | 01.06.12 | yes | 5 | 0/5 | 10 |
| SWEDEN | 15.10.05 | yes | 5/15 | 0 | 5 |
| SWITZERLAND | 25.09.92 | no | 5/15 | 10 | 0/10 |
| SINGAPORE | Probably in 2013 | yes | 0/5/10 | 0/5 | 2/5 |
| SLOVAKIA | 21.12.95 | no | 5/10 | 0/10 | 5 |
| SLOVENIA | 10.03.98 | no | 5/15 | 0/10 | 10 |
| SPAIN | 06.05.82 | yes | 5/15 | 0 | 0/10 |
| SOUTH AFRICA | 05.12.95 | no | 5/15 | 0/10 | 10 |
| THAILAND | 13.05.83 | no | 20 | 0/10 | 5/15 |
| CZECH REPUBLIC | 13.06.12 | no | 5 | 0/5 | 10 |
| TUNISIA | 15.11.93 | no | 5/10 | 12 | 12 |
| TURKEY | 01.10.96 | no | 10/15 | 0/10 | 10 |
| UKRAINE | 11.03.94 | yes | 5/15 | 0/10 | 10 |
| HUNGARY | 10.09.95 | no | 10 | 0/10 | 10 |
| USA | 23.07.96 | yes | 5/15 | 0 | 10 |
| UNITED ARAB EMIRATES | 21.04.94 | no | 0/5 | 0/5 | 5 |
| BELARUS | 30.07.93 | no | 10/15 | 0/10 | 0 |
| CYPRUS | Protocol -09.11.12 | no | 0/5 | 0/5 | 5 |

(*) Exemption from withholding tax pursuant to the Directive on rulers and controlled companies (Parent-Subsidiary-Directive)

SOCIAL SECURITY CONTRIBUTIONS

Ruling

Polish employers have to pay social security costs and compulsory insurances to the social insurance office (Zakład Ubezpieczeń Społecznych) and to the National Health Fund. The employer is responsible for withholding and remitting the full amount of social security contributions (employee's share and employer's share) to the relevant authorities. The rates of social security contributions for 2014 are:

| Fund | Employer | Employee |
|-------------------------|---------------------------------------|----------------|
| Pension/retirement fund | 9.76% | 9.76% |
| Disability insurance | 6.5% | 1.5% |
| Sickness benefits | Not applicable | 2.45% |
| Accident insurance | Between 0.67% and 3.33% | Not applicable |
| Health insurance | Not applicable | 9.00% |

The employer and employee pay contributions to the pension and disability funds. The **9.76%** employee contribution is transferred to the Open Pension Fund.

Contributions by employees are based on their gross income tax purposes. The ceiling on income on which contributions for the pension and disability insurance are due is 121,650.00 PLN in 2016. There is no ceiling for health insurance.

In addition, **9%** of gross pay (less contributions for pension and disability insurance) for obligatory health insurance contributions (covering medical expenses) is payable by employee.

The **2.45%** sickness benefit is paid into Labour Fund.

Social security in Poland

The social security system in Poland is of a general and compulsory character. Social security - in respect of selected risks - covers persons who are, inter alia, employees, persons who work on the basis of contracts of mandate or who carry out business activity.

NOTE:

Social security in Poland covers the EU citizens on the same basis as Polish citizens.

SOCIAL SECURITY CONTRIBUTIONS *CONTINUATION*

Pension insurance

Pension insurance is an insurance provided in the event of inability to work because of old age. Persons who pay premiums, ensure their income at the moment of stopping professional work, after achieving pensionable age.

The reform of the pension system entered into force on 01 January, 1999. It introduced a three-pillar system:

- Pillar I is governed by the public institution - Social Insurance Company
- Pillar II is governed by private institutions - open pension funds (OFE) - An open pension fund is a legal person whose aim is to collect funds from insurance premiums and invest them on the financial market. Those funds are designated for pensions for the open pension fund's members when they reach pensionable age
- Pillar III, voluntary, which is to ensure extra benefits for additional premiums, is occupational pension schemes (PPE) and individual retirement accounts (IKE)

From 01 May, 2011 until 31 December, 2016 the Social Insurance Company forwards part of the pension insurance premium to the open pension fund selected by the insured person, in the amount of:

- **2.3%** of the basis of the assessment of the amount of the pension insurance premium due for the period from the date of entry into force of the Act until 31 December, 2012
- **2.8%** of the basis of the assessment of the amount of the pension insurance premium due for the period from 01 January, 2013, until 31 December, 2013
- **3.1%** of the basis of the assessment of the amount of the pension insurance premium due for the period from 01 January, 2014, until 31 December, 2014
- **3.3%** of the basis of the amount assessment of the of the pension insurance premium due for the period from 01 January, 2015, until 31 December, 2016

The account of the insured person at the Social Insurance Company includes a sub-account where information is recorded on the valorised amount of paid premiums to Pillar II from the part of the premium not forwarded currently to open pension funds, together with the recovered interest on arrears for those premiums. The division of the premium between the pension fund which is at the Social Insurance Company's disposal and an open pension fund is obligatory for insured persons born after 31 December, 1968. Insured persons born after 31 December, 1948, and before 01 January, 1969, could join a selected open pension fund until 31 December, 1999. Persons born before 01 January, 1949, could not and still cannot join an open pension fund, their whole premium is forwarded to the Social Insurance Fund.

Pension insurance*(cont.)*

In 2014, there was a change concerning Insurance Pillar II. The insured were making a choice whether to use the services of OFE (Open Pension Funds) and their sub-accounts in ZUS (Social Insurance Company), or move their funds entirely on their sub-accounts in ZUS. Another such opportunity, which can also happen in the other direction, will take place in 2016, and then every 4 years.

The act introducing the voluntary nature of the transfer of contributions to OFE also provides for the so-called transfer windows, during which the insured may again decide whether they want to have their pension contributions to be evidenced on the sub-account in ZUS (**4.38%**) and in part transferred to OFE (**2.92%**), or fully evidenced on their sub-accounts in ZUS (**7.3%**).

The pension premium is financed equally by the employer and the insured person, but the whole premium paid to the open pension fund is from the part paid by the insured person. The employer is responsible for paying premiums to the Social Insurance Company.

The pension system is based on the tight connection between the amount of the benefit and the amount of the actually paid premium. The basis for calculating the pension is the (total) amount of premiums for pension insurance.

Pension is granted to women who are at least 60, and men who are at least 65. There is no minimum insurance period required for granting the pension.

Decisions about granting pensions are made by the Social Insurance Company's bodies which are of proper jurisdiction due to the place of living of the person who is applying for the benefit. The proceedings for granting pensions start after submitting the application by an applicant.



SOCIAL SECURITY CONTRIBUTIONS *CONTINUATION*

Disability insurance

Disability insurance guarantees cash benefits in case of losing income connected with the risk of disability (inability to work) or death of a breadwinner in a family. In such a situation persons who pay disability insurance premiums are granted disability pension for incapacity for work, which is a substitution for remuneration or income, and in the case of death of an insured breadwinner in a family, the members of their family are granted family pension.

The premium for disability insurance is **8%** of the basis of the assessment of the amount of premium, where **6.5%** is from the funds of the employer, and **1.5%** from the funds of the employee.

1. Disability pension for incapacity for work

Disability pension for incapacity for work can be granted to an insured person who fulfils all of the following conditions:

- Is considered a person who is partially or entirely unable to work
- Has proven contributory and non-contributory periods
- Inability to work started in the periods strictly set out in the Act

A person who is entirely unable to work is a person who has lost the ability to perform any job.

A person who is partially unable to work is a person who to a considerable degree lost their ability to perform a job which is consistent with the level of that person's qualifications.

Inability to work and its level is certified by a board certified occupational medicine physician from the Social Insurance Company as the first certifying instance. An applicant has the right to raise an objection to the physician's opinion to the Social Insurance Company Medical Board - as the second certifying instance.

2. Family pension

Family pension is granted to entitled family members (children, widow, widower, parents) of a person who at the moment of death took pension or disability pension for incapacity for work, and a working person who had the required periods for granting pension or disability pension for incapacity for work. When analysing the right to the family pension, it is assumed that a deceased person was entirely unable to work.

Disability insurance

(cont.)

3. Training allowance

Training allowance is granted to a person who fulfils the conditions for granting disability pension for incapacity for work, and with reference to whom retraining was stated as appropriate due to the inability to work in the current profession. It is granted for the period of 6 months. That period can be shortened or lengthened up to 30 months. The amount of training allowance is **75%** of the basis of an assessment, and when the inability to work is the result of an accident at work or occupational disease - **100%** of the basis of its assessment.



SOCIAL SECURITY CONTRIBUTIONS *CONTINUATION*

Social security for industrial accidents and occupational diseases

Security for industrial accidents and occupational diseases covers, inter alia, employees, persons who work on the basis of contracts of mandate, and persons carrying out business activity.

Benefits for industrial accidents and occupational diseases can be granted to a person who is insured for such cases. These are:

- **Sickness benefit** - for an insured person whose inability to work has been caused by an industrial accident or occupational disease
- **Rehabilitation benefit** - is paid after the sickness benefit has finished, if the insured person is still unable to work, and further treatment or rehabilitation give them a chance to regain ability to work
- **Compensating benefit** - is for an insured person who is an employee, whose remuneration was lowered due to permanent or long-term damage to their health
- **One-time compensation** - for an insured person whose health was damaged permanently or for a long period of time, or for the members of the family of a deceased insured person or a person who collected disability pension
- **Disability pension for an industrial accident or occupational disease** - for an insured person who has become unable to work due to an industrial accident or an occupational disease
- **Training allowance** - is granted to a person with reference to whom retraining was stated as appropriate due to the inability to work in a current profession because of an industrial accident or occupational disease
- **Family pension**- for the family members of a deceased insured person or a person entitled to disability pension for an industrial accident or occupational disease and allowance to family pension - for an orphan
- **Attendance allowance** - for a person who is entitled to pension, considered entirely unable to work and existence on their own, or who is over 75
- **Covering the costs of treatment** - in the field of dentistry and preventive vaccination and supply of orthopaedic equipment, within the scope stipulated by the Act

The amount of the accident security premium varies from **0.67%** to **83.86%** of the basis of premium assessment. The accident security premium is entirely covered by the employer.

Social security for sickness and maternity

Persons who are obligatorily insured for sickness and maternity are mainly employees. Persons covered by obligatory pension and disability pensions insurance, who, inter alia: work on the basis of an agency agreement or contract of mandate, carry out non-agricultural activity (business activity, authors, artists, freelancers) can also be insured, voluntarily, for sickness and maternity.

The amount of premium for insurance for sickness and maternity is **2.45%** of the basis of the premium assessment. The premium is covered from the insured person's funds.

The following benefits are paid due to insurance in case of sickness and maternity:

Sickness benefit

The sickness benefit is granted to an insured person who became ill during the period of sickness security. Generally, the right to the sickness benefit is granted after the so-called waiting period. a person who is obligatorily covered by sickness security, gains the right to the sickness benefit after the period of 30 days of continuous sickness security. a person who is covered by this security voluntarily, gains it after the period of 90 days of continuous sickness security.

The sickness benefit is granted to an insured person in the amount of **80%** of the basis of assessment, and for the period of being hospitalised - in the amount of **70%** of the basis of assessment.

If the inability to work which was caused due to an accident on the way to or from work started during pregnancy or concerns tissue, cell or organ donors, then the sickness benefit is paid in the amount of **100%** of the basis of assessment.

Rehabilitation benefit

The rehabilitation benefit is granted to an insured person who can no longer be given the sickness benefit but still is unable to work, and further treatment or rehabilitation give them a chance to be able to work again. The benefit is granted for the period necessary to give them a chance to regain ability to work but not longer than for the period of 12 months.

Compensating benefit

The compensating benefit is granted only to insured persons who are employees. That benefit is granted to employees whose remuneration was lowered due to undergoing professional rehabilitation or who was moved to another post due to the state of health.

SOCIAL SECURITY CONTRIBUTIONS *CONTINUATION*

Social security for sickness and maternity *(cont.)*

Maternity allowance

Maternity allowance is granted to an insured woman who at the time of sickness security or at the time of a child care leave:

- gives birth to a child
- takes a child up to 7 years of age for upbringing, and in the case of a child with regard to whom there was a decision about an adjournment of compulsory education - up to 10 years of age, and who started legal proceedings for adoption in the Guardianship Court
- takes for upbringing, as surrogate parents, except for professional surrogate parents not related to the child, a child up to 7 years of age, and in the case of a child with regard to whom there was a decision about an adjournment of compulsory education - up to 10 years of age

Provisions concerning the right to maternity allowance in the case of taking a child for upbringing are also to be followed in the case of an insured man.

Maternity allowance is paid during the period of maternity leave - for 20 weeks in the case of giving birth to one child (possibly longer, in the case of giving birth to more than one child at a time - from 31 weeks to maximum 37 weeks) and throughout the period of the additional maternity leave.

Maternity allowance can be also granted to an insured father of a child for the period of 2 weeks as the period of maternity leave which can be granted to an employee-father raising a child.

The amount of maternity allowance is **100%** of the basis of the allowance assessment. The basis of the allowance assessment is an average monthly remuneration paid for the period of 12 months before the month in which the right to the allowance is created.

Premiums for pension and disability pension insurance are calculated from maternity allowance (Those premiums are financed from the State budget).

Parental leave is granted immediately after maternity leave or maternity allowance is used by an employee for a period equal to the period of maternity leave by the insured person who is not an employee, in no more than 4 parts which are multiples of a week, falling directly one after another or immediately after using maternity allowance for the period corresponding to a part of parental leave.

**Social security
for sickness and
maternity** *(cont.)*

Maternity allowance for the period specified in the Labour Code provisions as a period of parental leave is granted for up to:

- 32 weeks - in the case of the birth of one child and for the adoption for upbringing and to apply to the guardianship court for instituting proceedings for adoption or acceptance of upbringing as a foster family with the exception of a professional foster family of one child up to the age of seven, and in the case of a child towards whom it was decided to postpone the compulsory schooling up to the age of ten, hereinafter referred to as “the adoption of a child for upbringing”
- 34 week - in the case of the birth during one delivery of two or more children and in the case of a simultaneous adoption for upbringing of two or more children
- 29 weeks - in the case of adoption of a child for upbringing, when the employee is entitled to a minimum maternal leave of 9 weeks.

The maternity allowance for the period corresponding to the period of parental leave can also be used by both parents at the same time, however, the total period of the leave enjoyed by both parents must not exceed 32, 34 or 29 weeks.

Attendance allowance

Attendance allowance is granted for the period of a special leave, when it is necessary to take care of a healthy child who is under 8, a sick child who is under 14 or other sick member of the family.

Attendance allowance is granted for not more than 60 days in a calendar year if a person takes care of a healthy child who is under 8 or a sick child who is under 14. If a person takes care of a sick child who is over 14 or other sick member of a family, the allowance is granted for not more than 14 days. The allowance is paid in the amount of 80% of the basis of allowance assessment.

Additionally, in the case stipulated in Article 180(61) of the Labour Code, the insured father of a child is entitled (irrespective of the attendance allowance for 60 days per calendar year) to an attendance allowance in the amount of up to 8 weeks if he interrupts employment or other gainful activity in order to take care of the child.

SUMMARY OF THE MOST SIGNIFICANT CHANGES IN CIT

- CHANGES EFFECTIVE FROM 1 JANUARY 2016

LIMITATION OF OBLIGATION OF RETROACTIVE ADJUSTMENT OF REVENUES

As of January 1, 2016, Article 12 paragraph 3j was added to the Corporate Income Tax Act, from which it follows that the adjustments of revenues should be accounted for:

- 1) retroactively - within the scope in which adjustments are due to accounting errors or any other obvious mistakes,
- 2) on a regular basis (i.e. in the accounting period in which a corrective invoice was issued or, in the absence of such invoice, other document confirming the causes for adjustment) - in other cases (whereby in the event of the revenues in the accounting period being too low, taxpayers shall be obliged to increase the tax deductible costs by the amount by which the revenues were not reduced - see, Article 12 paragraph 3k of the CIT Act added as of 1 January, 2016).

LIMITATION OF OBLIGATION OF RETROACTIVE ADJUSTMENT OF TAX DEDUCTIBLE COSTS

As of January 1, 2016, Article 15 paragraph 4i was added to the CIT Act, from which it follows that the adjustments of tax deductible costs, including depreciation and amortisation, should be accounted for:

- 1) retroactively - within the scope in which adjustments are due to accounting errors or any other obvious mistakes,
- 2) on a regular basis (i.e. in the accounting period in which a corrective invoice was received or, in the absence of such invoice, other document confirming the causes for adjustment) - in other cases (whereby in the event of the tax deductible costs in the accounting period of the adjustment being too low, taxpayers shall be obliged to increase the revenues by the amount by which the tax deductible costs were not reduced - see, Article 15 paragraph 4j of the CIT Act added as of 1 January, 2016).

LIQUIDATION OF OBLIGATION OF REDUCING THE TAX DEDUCTIBLE COSTS BY OUTSTANDING AMOUNTS CLASSIFIED AS SUCH COSTS

As of January 1, 2016, Article 15b of the CIT Act is repealed. Thus from the beginning of 2016 taxpayers are not required to reduce the tax deductible costs by outstanding amounts classified as such costs at dates specified by regulations.

INTRODUCTION OF OBLIGATION OF SUBMITTING SIMPLIFIED STATEMENTS ON TRANSACTIONS OR OTHER EVENTS TAKING PLACE BETWEEN RELATED ENTITIES

As of January 1, 2016, Article 27 paragraph 5 was added to the CIT Act. This provision imposes on some taxpayers obliged to draw up tax documentation (i.e. those whose revenues or costs, within the meaning of accounting provisions, exceeded in a fiscal year an equivalent of 10,000,000.00 EUR) the obligation to submit to the tax return for the fiscal year, a simplified statement on transactions with related entities or other events taking place between related entities, or in relation to which the payment shall be paid directly or indirectly to an entity having their place of residence, registered office or management on the territory or in the country applying harmful tax competition.

INTRODUCTION OF OBLIGATION OF SUBMITTING A STATEMENT ON THE AMOUNT OF INCOME AND TAX PAID, PLACES OF BUSINESS ACTIVITY OF SUBSIDIARIES AND FOREIGN ESTABLISHMENTS BELONGING TO A CAPITAL GROUP

As of January 1, 2016, Article 27 paragraph 6 was added to the CIT Act. This provision imposes on some related domestic entities (e.g. having a foreign establishment or one or more subsidiaries outside the territory of the Republic of Poland within the meaning of the Accounting Act) an obligation to submit to the tax office a statement on the amount of income and tax paid, and places of business activity, subsidiaries and foreign establishments belonging to the group in the fiscal year (within 12 months of the end of the fiscal year of a domestic entity for which such statement is submitted).

SUMMARY OF THE MOST SIGNIFICANT CHANGES IN PIT

- CHANGES EFFECTIVE FROM 1 JANUARY 2016

LIQUIDATION OF THE MANDATORY ADJUSTMENT OF COSTS

Taxpayers are not obliged to reduce the tax deductible costs by outstanding amounts classified as such costs, but unpaid at dates specified in regulations. The legislator decided to remove the provision of.

SUMMARY OF THE MOST IMPORTANT CHANGES IN VAT SINCE 2016

- CHANGES EFFECTIVE FROM 1 JANUARY 2016

INCLUSION OF A NEW RESTRUCTURING PROCEDURE IN THE PROVISIONS ON THE SO-CALLED BAD DEBT RELIEF

As of January 1, 2016, the Act of 15 May 2015, the Restructuring Law entered into force, which introduced a new type of procedure, i.e. a restructuring procedure. This was accompanied by changes in the provisions governing the bad debt relief consisting of:

- 1) excluding the application of the bad debt relief in relation to the supply of goods or provision of services to taxpayers who are not in the course of restructuring proceedings (see, Article 89a paragraph 2 point 1 of the Tax on Goods and Services Act, wording effective from 1 January, 2016),
- 2) excluding the application of the bad debt relief in relation to the debtors undergoing restructuring proceedings (see, Article 89a paragraph 2 point 3b. of the Tax on Goods and Services Act, wording effective from 1 January, 2016).

EXCLUSION OF OBLIGATION OF AN ADJUSTMENT OF TAX DEDUCED BY DEBTORS UNDERGOING A RESTRUCTURING PROCEDURE

As of January 1, 2016, adjustments of tax deducted, referred to in Article 89b paragraph 1 of the Tax on Goods and Services Act, do not have to be performed by taxpayers who on the last day of the month of the expiry of 150 days from the due date of payment are undergoing a restructuring procedure, introduced by the Restructuring Law (see, Article 89b paragraph 1b of the Tax on Goods and Services Act, wording effective from 1 January, 2016).



SUMMARY OF THE MOST SIGNIFICANT CHANGES IN THE TAX ORDINANCE - CHANGES EFFECTIVE FROM 1 JANUARY 2016

| | |
|---|---|
| INTRODUCTION OF A PRINCIPLE OF RESOLVING DOUBTS IN FAVOUR OF THE TAXPAYER | As of January 1, 2016, Article 2a was added to the Tax Ordinance, stating that doubts which cannot be removed as to the content of the tax law are to be resolved in favour of the taxpayer. |
| CHANGE OF THE DEFINITION OF DOMESTIC AND FOREIGN ENTITY | From January 1, 2016, it is specified that domestic entities and related entities within the meaning of the Tax Ordinance are solely entities associated with other entities within the meaning of the provisions of the Income Tax Acts (Article 3 paragraphs 11 and 12 of the Tax Ordinance). |
| FACILITIES CONCERNING LETTERS SENT BY POSTAL SERVICES ABROAD | So far only sending a letter via a designated Polish postal operator (i.e. Polish Post) resulted in recognition of the preservation of the date of delivery of the letter, if such letter was sent before that date (see, Article 12 § 6 point 2 of the Tax Ordinance). This provision is not accompanied by any regulations on letters sent by means of postal services outside the Polish borders. As of 1 January, 2016, Article 12 § 6 point 2 was given a new wording. It follows from it that the date shall also be deemed as preserved if before its end, the letter will be sent via a post office of the operator providing general postal services in another EU Member State, as well as if the letter sent from a country outside the European Union will be received by a Polish post office of the designated operator (i.e. by the Polish Post). |
| PUBLISHING IN THE DATABASE OF INTERPRETATIONS INFORMATION ON THE CHANGE, REVOCATION AND CONFIRMATION OF THE EXPIRY OF THE INDIVIDUAL INTERPRETATION | As of 1 January, 2016, information on the change, revocation and confirmation of the expiry of the individual interpretation is published (see, Article 14i § 4 of the Tax Ordinance), as well as information on incorrect individual interpretations, which due to death, liquidation or dissolution of the applicant, for whom such individual interpretation was issued, cannot be changed, revoked or its expiry date cannot be determined (see, Article 5 § 14i of the Tax Ordinance added with effect from 1 January, 2016). |
| CHANGES IN THE AMOUNT OF INTEREST RATE ON LATE PAYMENTS | As of 1 January, 2016, the rate of interest on late payments was reduced by 50% of the base rate. It was also specified that this rate applies if the legally effective adjustment of tax return, together with the justification of the causes of adjustments, will be submitted within 6 months from the expiry date for submission of the tax return (the condition for payment of arrears within 7 days will remain unchanged) (see, Article 56a § 1 of the Tax Ordinance). Moreover, an increased rate of interest on late payments in the amount of 150% of the base rate was introduced. This rate applies in the case of the most serious errors in settling VAT and excise duty (see, Article 56b of the Tax Ordinance added with effect from 1 January, 2016). |
| ALLOWING TAX PAYMENT VIA PAYMENT CARD | As of 1 January, 2016, paying taxes using a payment card was made available (see wording of Article 60 § 1 and 1a as well as Article 60 § 2a-2c of the Tax Ordinance introduced at the beginning of 2016). The condition is that the tax authority has an appropriate device to authorise payment transactions (see, Article 60 § 2c of the Tax Ordinance added with effect from 1 January, 2016). Fees and commissions related to the payment of taxes via payment card shall be borne by the taxpayer (see, Article 60 § 2a of the Tax Ordinance added with effect from 1 January, 2016). |

If you have any further questions related to the information within this booklet, please contact us.



SUMMARY OF THE MOST SIGNIFICANT CHANGES IN THE TAX ORDINANCE - CHANGES EFFECTIVE FROM 1 JANUARY 2016, CONT.

CHANGES OF THE TAX PAYMENT DATE IN THE CASE OF PAYMENTS MADE FROM ABROAD

As of January 1, 2016, the default date of the payment referred to in Article 60 § 1a of the Tax Ordinance is the date of submission of the payment order by the taxpayer and not - as it was until now - the day of debiting the account. The remainder of the text of the provision has not changed (apart from adding to the text of EU regulations the electronic money institution, which is related to the possibility of paying taxes by payment card).

ALLOWING TAX PAYMENT BY OTHER PERSONS THAN THE TAXPAYER

As of January 1, 2016, an effective (i.e. effecting in the expiry of the tax liability) tax payment may also be made by persons other than the taxpayer, i.e. by:

- 1) the taxpayer's spouse, their descendants, ascendants, stepchildren, siblings, stepfather and stepmother - without monetary limits (see, Article 62b § 1 point 1 of the Tax Ordinance added with effect from 1 January, 2016).
- 2) other entity - if the tax amount does not exceed PLN 1000 (see, Article 62b § 1 point 3 of the Tax Ordinance added with effect from 1 January, 2016).

A provision was also added stating that in the above cases, if the content of the proof of payment is beyond doubt as to the purpose of the payment due by the taxpayer, it is considered that the payment comes from the taxpayer (see, Article 62b § 2 of the Tax Ordinance added with effect from 1 January, 2016).

ALLOWING THE DELIVERY OF LETTERS TO P.O. BOXES

As of 1 January, 2016, Article 150a of the Tax Ordinance was added. The provisions of this article allow for the delivery of letters at the request of the party at the post office box address indicated by that party.

CHANGES IN THE PROVISIONS ON THE DELIVERY OF LETTERS TO LEGAL PERSONS AND ORGANISATIONAL ENTITIES HAVING NO LEGAL PERSONALITY

As of 1 January, 2016, it is possible to deliver letters addressed to legal persons and organisational entities having no legal personality:

- 1) proxies (see, wording of Article 151 § 1 of the Tax Ordinance effective as of 1 January, 2016),
- 2) administrators or keepers of buildings who undertook the delivery of the letter to the addressee (see, wording of Article 151 § 2 of the Tax Ordinance effective as of 1 January, 2016).

In addition, as of 1 January, 2016, it is specified that if the address of the registered seat given by a legal person or organisational entity having no legal personality does not exist or is inconsistent with the relevant register and one cannot determine the place of business, the letter is delivered to a natural person authorised to represent the addressee, also when such representation is cumulative with other persons (see, Article 151a § 1 of the Tax Ordinance, wording effective from 1 January, 2016). Only if unable to determine the address of the natural person authorised to represent the addressee, the letter is left in the case file as if delivered in accordance with Article 151a § 2 of the Tax Ordinance. Wording effective from 1 January, 2016).

ALLOWING FOR THE INDICATION IN THE REQUEST THAT THE DOCUMENTS CAN BE SUBMITTED IN ELECTRONIC FORM

As of 1 January, 2016, tax authorities may specify in the requests whether documents can be submitted in electronic form or on data storages (see, Article 155 § 1 of the Tax Ordinance, wording effective from 1 January, 2016, and Article 159 § 1 point 4a of the Tax Ordinance added with effect from 1 January, 2016).

FACILITATING THE AUDIT OF ESTABLISHMENTS OF FOREIGN ENTITIES

As of 1 January, 2016, a provision was added that if the audited establishment belongs to a foreign entity, the authorisation to audit will be delivered to and the official identity card will be presented to the person actually in charge, supervising or representing business activities carried out in Poland (see, Article 284 § 2a of the Tax Ordinance added with effect from 1 January, 2016). This facilitates the initiation of the audit of establishments of foreign entities.

SUMMARY OF THE MOST IMPORTANT CHANGES IN THE TAX ORDINANCE - *CHANGES TO BE EFFECTIVE FROM 1 JULY 2016*

AUTHORISATION TO REQUEST THE SUBMISSION OF TAX REGISTERS IN ELECTRONIC FORM

As of 1 July, 2016, Article 193a of the Tax Ordinance will be added, which - in the case of keeping tax registers using computer programmes - will authorise tax authorities to request the submission of all or part of these registers and accounting documents by electronic means of communication or on data storages.

ALLOWING FOR THE REQUEST FROM TAXPAYER'S CONTRACTORS OF SUBMITTING DATA IN ELECTRONIC FORM

As of 1 July, 2016, Article 274c § 1 point 2 of the Tax Ordinance will be added. It will allow for tax authorities, in relation to tax proceedings or fiscal audit, to request from taxpayer's contractors conducting business activities to submit, by means of electronic communication or data storages, an extract from tax registers and accounting documents stored in electronic form if the taxpayer's contractor keeps tax registers using computer programmes.

ALLOWING FOR THE REQUEST FROM TAXPAYER OF SUB-MITTING DATA IN ELECTRONIC FORM

As of 1 July, 2016, Article 287 § 1 point 3 will be added to the Tax Ordinance. It will allow for tax authorities to request from the audited entity, its employees and persons cooperating with the audited entity to submit, by means of electronic communication or data storages, an extract from tax registers and accounting documents stored in electronic form if the audited entity keeps tax registers using computer programmes.



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getsix® Partners would like to consider this tax brochure has been and will be of benefit to you throughout the year. We have tried to encompass all that you might want to know, and also what we feel is important, in one handy sized booklet. Of course we cannot include all tax and legal laws, but hope we have helped to bring the 'main' laws together for quick and easy reference.

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Ortwin-Uwe Jentsch

Monika Martynkiewicz-Frank

Claus Frank

Roy Heynlein



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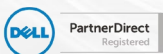
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LOCATIONS:

■ Wrocław
ul. Szwedzka 5
Bielany Wrocławskie
55-040 Kobierzyce
Tel.: +48 71 388 13 00
Fax: +48 71 388 13 10
Claus Frank
Monika Martynkiewicz-Frank
E-mail: wroclaw@getsix.pl

■ Poznań
ul. Wyspiańskiego 43
60-751 Poznań
Tel.: +48 61 668 34 00
Fax: +48 61 668 34 10
Roy Heynlein
E-mail: poznan@getsix.pl

■ Warszawa
Sky Office Center
ul. Rzymowskiego 31
02-697 Warszawa
Tel.: +48 22 336 77 00
Fax: +48 22 336 77 10
Ortwin-Uwe Jentsch
E-mail: warszawa@getsix.pl

■ Szczecin
ul. Panieńska 17
70-535 Szczecin
Tel.: +48 91 351 86 00
Fax: +48 91 351 86 10
Roy Heynlein
E-mail: szczecin@getsix.pl

■ getsix Consulting
Sky Office Center
ul. Rzymowskiego 31
02-697 Warszawa
Tel.: +48 22 336 77 07
Fax: +48 22 336 77 10
E-mail: warszawa@getsix-consulting.pl

■ Berlin - Biuro reprezentacyjne
Pariser Platz 4a
D-10117 Berlin
Deutschland
Tel.: +49 30 208 481 200
Fax: +49 30 208 481 210
E-mail: berlin@getsix.de

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