



# Doing business in Poland

A comprehensive guide to establishing  
your company on the Polish market

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## The perspective of our CEO

If you are reading this, you are probably thinking about starting your business in Poland. A beautiful country with a fast-growing economy, open democratic society, and investor-friendly legal environment. However, a lot has changed since 2020, when we published the first edition of *Doing Business in Poland*. The Polish tax system has been rearranged almost beyond recognition within a few years, and recently due to the controversial revision of the financial law, commonly referred to as the Polish Deal.

As we can see, the new regulations have already had a significant impact on the profits of companies and home budgets of citizens, but also pose a challenge for entrepreneurs who plan to start their business activity in Poland. Whether you're planning to open a branch of your company in Poland or start a brand new business, it is essential to be familiar with Poland's corporate environment, tax system, accounting and employment procedures as well as new regulations. Informing about those changes and pointing the way for foreign entrepreneurs is therefore our priority.

Back in 2001, the owners of ARPI Group found themselves in a similar situation. We have faced many challenges in establishing a new company in Poland. It was a demanding, nonetheless extremely rewarding experience. Take advantage of our extensive knowledge, especially today, in times of frequent changes in tax and business law. Everything you need to know about accounting, employment, tax obligations, and legal aspects, is within your reach with *Doing Business in Poland*.

The new, revised version of *Doing Business in Poland* covers everything that is in force as of March 2024 – including every Polish Deal amendments, which came into force in 2023. Our guide will also present you with the best way to achieve your business goals and, most importantly, we hope it will support you in the process of establishing yourself as a successful entrepreneur.

**Jan Prejsnar**  
CEO

# About us

ARPI Accounting is a well-established outsourcing company that offers a variety of financial services for medium and large enterprises. We are a member of ARPI Group founded in Norway in 1999. Our Polish-Norwegian connection and international perspective allow us to fully understand a complex Polish financial system that is subject to constant changes.

We are a Warsaw-based, versatile accounting office that constantly searches for new ways of supporting our clients. This publication is just one example of our pro-active approach. We also provide original high-end software solutions that help with everyday accounting. On top of that, we run a specialized blog in which we explain the latest changes in Polish tax law. Our dedication is boundless.

We are proud to employ experienced and fully qualified expert accountants, in-house lawyers, HR and payroll specialists, who are always ready to help. If you only need advice, you can be sure that our tax advisors will dispel doubts regarding year-round bookkeeping, as well as year-end preparations.

Discover the full spectrum of our services at [arpiaccounting.com](http://arpiaccounting.com)



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# Types of business entities in Poland

Learn more about the most popular types of business entities, with details and guidance on how to register your own company



Polish law provides the following types of legal entities for conducting economic activity:

- Capital companies
  - Limited liability company
  - Joint-stock company
  - Simple joint-stock company
- Partnerships
  - Registered partnership
  - Professional partnership
  - Limited partnership
  - Limited joint-stock partnership
- Sole trader (self-employment)
- Branch (foreign entrepreneur)
- Representative office (foreign entrepreneur)

The choice of the appropriate form of business depends on the specific needs of each enterprise and industry. Therefore it is difficult to objectively indicate the most beneficial one. Below, we present a brief overview of the most popular types of entities, with their advantages and disadvantages.

## Limited Liability Company

Because of the relative ease of starting and managing a limited liability company, it is arguably the most popular corporate vehicle in Poland. “Limited liability” means that shareholders share the limited risk of liability in case of bankruptcy or any other similar event, especially when creditors claim rights to the company’s assets. Every shareholder is personally liable only for the amount of his contribution to the capital. This is possible because the limited liability company has a separate legal status.

### Management structure

#### Shareholders’ Meeting Board

The Shareholder’s Meeting Board is the most important decisive body of the limited liability company. Generally, there are two types of shareholders’ meetings: ordinary and extraordinary. The former is held after the preparations of the financial statement concerning the last financial year, within 6 months. The primary purpose of the ordinary meeting, besides enacting the resolution on the said financial statement, is to maintain the distribution of profits in the form of dividends between the shareholders.

An extraordinary shareholders’ meeting shall be convened in instances specified in the Code of Commercial Companies or the articles of association, and also in instances where the authorities or persons authorized to convene shareholders’ meetings deem it appropriate.

#### Management Board

The Management Board is the representative and decisive body of the limited liability company. Members of the company’s management board are appointed or dismissed by way of a resolution made at the shareholders’ meeting, under the AOA. The management board consists of at least one member (shareholder or outsider). Appointing members of the board requires a resolution of shareholders. When a member of the management board is appointed for a period exceeding one year, his mandate will expire on the date of the general meeting of shareholders approving the financial statements for the last full financial year of performing the function of a member.

#### Supervisory Board and Audit Committee

The supervisory board or the audit committee are obligatory in companies whose share capital exceeds 500,000 PLN and where there are more than 25 shareholders. The supervision may result with the guiding instructions or reports that can be submitted to the shareholders or the management board. The statute of the company determines the procedure for establishing a supervisory board. A member of the management board, holder of commercial power of attorney, liquidator, head of branch or plant, chief accountant, attorney-at-law or advocate employed with the company shall not, at the same time, be a member of the supervisory board or auditors’ committee. As for the audit committee – its ultimate purpose is to supervise the flow of the capital and the correctness of the annual financial statements.

#### Limited Liability Company in numbers:

- The minimum share capital: 5,000 PLN.
- The minimum nominal value of the share: 50 PLN.
- The minimum number of shareholders: 1 person.

## Limited Liability Company – overview

Name	No restrictions – obligatory addition of the "sp. z o.o." abbreviation
Registration	National Court Register (KRS) or online registration (without the notarial deed)
Starting capital	Minimum of 5,000 PLN
Share capital	The share capital of the company shall be divided into shares of equal or non-equal nominal value with a minimum of 50 PLN.
Accounting	Full accounting
Supervision	As a rule every shareholder can maintain supervision. There is a possibility to appoint optional bodies – Supervisory Board and Auditing Committee.
Auditing	Auditing of financial statements required
Income tax	Corporate income tax rate: 19% [9% – if a company has the small taxpayer status or it's a new company]. Dividends are taxed at 19%.
Representation	The management board is the main representative body of the limited liability company. The certain representative can be appointed by ways of the resolution taken by the shareholders. The management board shall manage the affairs of the company and represent the company.
Responsibility	The company is responsible for its obligations. It means that the shareholders shall not be liable for the obligations of the company. If enforcement against the company proves to be ineffective, the members of the management board shall be jointly and severally liable for its obligations.
Profit sharing	The profits are divided among the shareholders from the surplus of annual company income according to the financial statement. The profits are divided proportionally by shares.
Termination	Winding-up proceedings.
Founders	May be incorporated by one or more persons for any purpose allowed by law, unless the law provides otherwise.
Founding document	Notarial deed form of the articles of association unless you use online registration option via the portal provided by the Ministry of Justice.

## Joint-stock company

A joint-stock company may be seen as popular in Poland as a limited liability company, but is definitively more difficult to set up and maintain. It also serves quite different purposes for its founders and beneficiaries. In some cases a joint-stock company is the only possible form of doing business, i.e. insurance companies and financial institutions.

The strongest advantage of a joint-stock company over a limited liability company is the possibility of issuing shares of stock. Shareholders can acquire shares in the primary market by way of subscribing to the initial public offering (stock market launch). Issuing shares increases the capital of the company.

In order to register a joint-stock company, the company agreement must be in the form of a notarial act, as well registered in the National Court Register (KRS).

As with the limited liability company, the joint-stock company's shareholders are not financially or personally responsible for the company's liabilities. All the company's assets (as a legal entity) are taken into account in case of vindication.

The annual profit is divided between the shareholders according to the number of shares they possess.

The management structure is similar to those of limited liability company:

- General meeting  
(as an equivalent for shareholders' meeting)
- Management board
- Supervisory board

### Joint-stock company in numbers:

- The minimum starting share capital:  
100,000 PLN.
- The minimum nominal value of the share:  
0.01 PLN.
- The minimum number of shareholders:  
1 person (it cannot be a single-member  
limited liability company)

## Simple joint-stock company

A simple joint-stock company is a newest type of business entity, introduced on July 1st, 2021, addressed to entrepreneurs developing new technologies, especially start-up developers.

A simple joint-stock company can be founded with a starting share capital amount of only 1 PLN (in contrast to the traditional joint-stock company's 100,000 PLN minimum). It gives the possibility of issuing the founder's shares. This special type of share allows shareholders to maintain a fixed percentage of voting rights after each subsequent release of new stock shares. The regulations also provide the chance of stock share acquisition in exchange for a service or provision of work – thus the simple joint-stock company becomes the only legal form of business giving co-owners and associates the possibility of apportionment.

Some of the key features of the simple joint-stock company are:

- The minimum starting capital contribution amount of 1 PLN.
- The possibility of issuing the founder's stock shares.
- One statutory governing body should be established (management board or board of directors). A supervisory board can also be established based upon the articles of association.
- The chance of stock share acquisition in exchange for a service or provision of work.
- The possibility of concluding articles of association online – via portal provided by the Ministry of Finance.
- The possibility of selling the company without the participation of a notary – although it is required to maintain the documentary form of a share purchase agreement.



## Branch and representative office

### Branch

Limited liability companies and joint-stock companies with a seat abroad may open branches and representative offices on the territory of the Republic of Poland. As an ideal form of corporate vehicle for foreign entrepreneurs entering the Polish market, the branch offers the possibility to operate a business from the country of residence. This form of business activity will interest entrepreneurs who run a company in the EU and want to enter the Polish market.

There are important rules to remember for everyone governing the branch in Poland. Firstly, the person authorized to represent the foreign investor must be formally appointed and the branch should be added to the National Court Register (KRS). The original name, together with the name of the legal form translated into Polish, should be used during the registry, as well as the addition of the obligatory affix "branch in Poland". As an attachment, the entrepreneur should present the proof of foreign registration of the company and a copy of the founding document (along with the certified translation).

Since 2019, Polish law on the white lists of active VAT payers requires a branch and representative offices to have a separate bank account registered in Poland. Not all types of bank accounts can be added to the white list. Among the excluded accounts are foreign accounts with a different numerical structure (we cover that topic extensively in [chapter 4](#)).

### Representative office

The scope of activity of the representative office may include only conducting activity in the field of advertising and promotion of a foreign entrepreneur.

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

What should the application for the representative office registration contain?

- the name, the place of residence and legal status of the foreign entrepreneur setting up a representative office,
- the business objectives of a representative office (advertising, marketing, etc.),
- the name and Polish address of a person authorized to represent the foreign entrepreneur,
- the address of the representative office on Polish territory.

## Possible restrictions

Before you decide to register the preferred type of company, make sure you have, or your employees have, the appropriate competencies, permissions, and entitlements. There are instances in which only a specific person can manage given duties:

Activity-related	Profession-related	Industry-related
The insurance and reinsurance industry requires registration of the company in the National Court Register.	That includes advocacy, tax advisory, real estate appraisal, architects and every position that involves state permission to carry out.	The situation when the law directly indicates which type of business activity the entrepreneur must register to legally maintain, which is the case of the financial sector.

## Registration steps

The standard procedure for establishing corporate entities in Poland involves steps such as the establishment of a founding group, the creation of a founding document and registration in the National Court Register. Depending on the type of company chosen, there are also obligations such as CEiDG entry (for self-employment), ZUS registration, and the acquisition of the NIP number or the necessity of opening a bank account in a Polish bank.

The founding document, articles of association, enacted by company's founders, is a complete set of rules adopted by the founders. Most often, it is written in a form of articles of association as a notary act of formation (limited liability companies, partnerships, joint-stock companies), or written contract (civil partnership). Please note that the notary act is not obligatory when applying via the S24 website – <https://ekrs.ms.gov.pl/s24>. Online registration requires filling out the template of the articles of association, among other significant information.

When registering the most popular corporate vehicle, a Limited liability company, one should remember to attach the following documents (according to the recommendations of the government-run website):

- completed KRS-WA, KRS-WE, KRS-WH, KRS-WK, KRS-WL and KRS-WM forms;
- Articles of association;
- a statement proving the contribution of capital;
- a document appointing members of the company's governing bodies and the list of partners;
- personal information about the members of the Management Board (surnames, addresses, identification numbers);
- personal data of the sole member (name, business name, address, the office of registration);
- fee payment receipt;
- a list containing the name and address for service or the business name and registered office of the members of the authorities or persons authorized to appoint the management board.

## Taxation

Tax administration in Poland consists of two main parts: local government administration bodies and local government units. The most important governmental taxes are corporate income tax (CIT), personal income tax (PIT), value-added tax (VAT), excise duty, civil law transactions tax and property tax (for property and real estate owners). Local governments are responsible for the collection of lesser or territorially dependent taxes, such as property, transportation, agricultural and forestry taxes.

### Tax authorities in Poland:

- the Head of National Revenue Administration
- the Director of the National Revenue Information System
- the Minister of Finance

The Polish tax system distinguishes between direct and indirect tax liabilities. The former concerns the income or profits of a person or entity who is a subject of the tax liability, the latter relates to goods and products.

### Direct taxes:

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

### Indirect taxes:

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

## Obtaining a Tax Identification Number (in Poland: NIP)

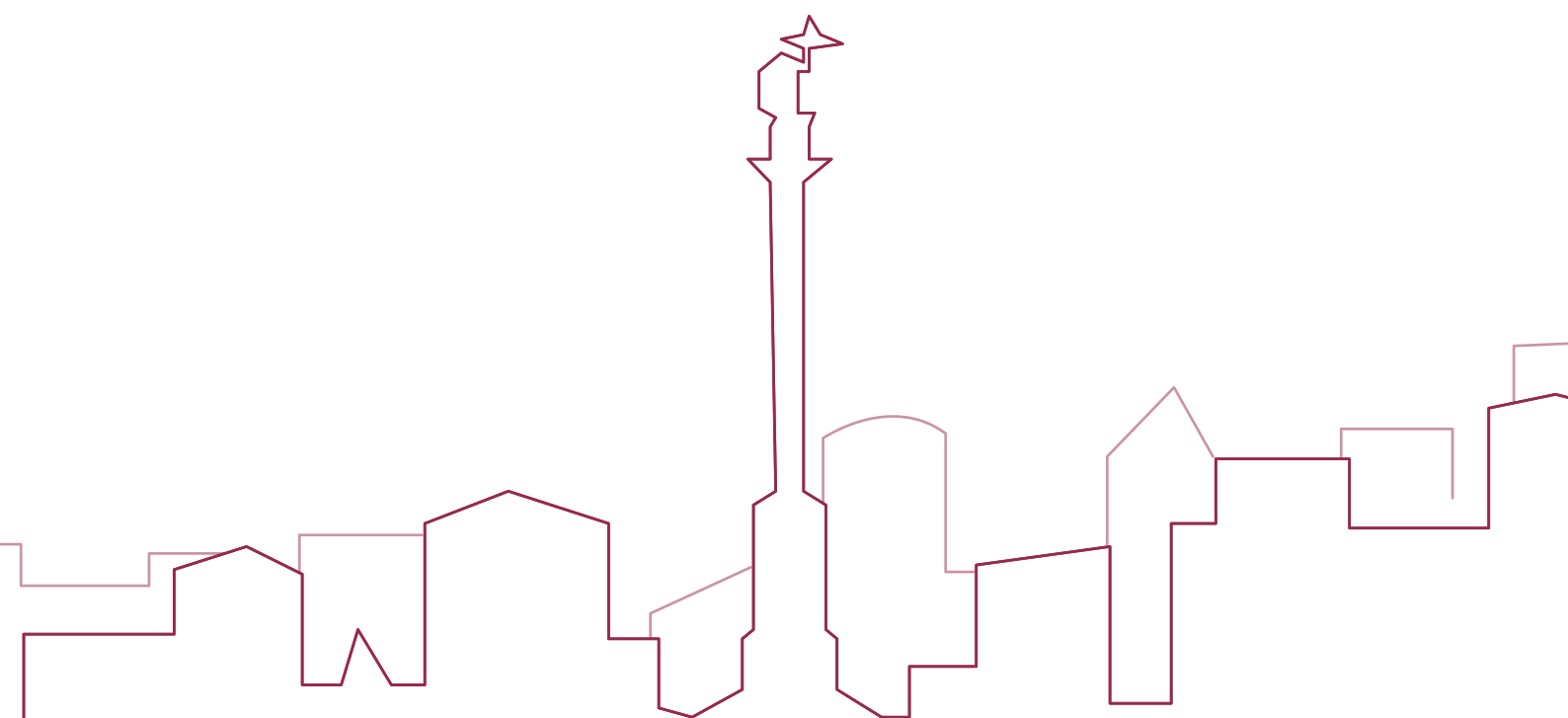
The Tax Identification Number (NIP) is a ten-digit code used to identify taxpayers in Poland introduced by the Act of October 1995.

The self-employed obtain a Tax Identification Number when registering a company in the office. For this, it is necessary to submit a CEIDG-1 application.

It is also assigned to legal persons registered in the National Court Register, such as registered partnerships, limited liability companies, limited joint-stock partnerships, or joint-stock companies. In order to obtain a number, the legal persons should submit a NIP-8 form.

### Fees related to registration

Action	Price
The court fee for entry	500 PLN
Fee for the announcement in Court and Commercial Gazette	100 PLN
CEiDG / ZUS registration	free of charge
Stamp duty for attorney PPS-1 (optional)	17 PLN
Certificate of the assignment of NIP	21 PLN



# Employment

Discover the differences between employment contracts and various civil law contracts in Poland



## The minimum wage in 2024

The minimum wage as a regulation in force in Poland has been established in the Law on the minimum wage for work, in October 10th, 2002. In 2024 the minimum wage has increased by nearly 20 p.p., compared to the previous year, and amounts to 4,242.00 PLN gross per month. It is the largest annual increase in recent years. The national hourly wage amounts to 27.70 PLN and concerns mainly contract of mandate and work. It is established annually by the government or the Social Dialogue Council, composed of representatives of the government, trade unions and employers' organizations]. The deadline for setting the amount each year is June 15th.

	Minimum wage (employment contracts) January - July of a given year	Minimum hour rate (contracts of mandate and work) January - July of a given year
2020	2,600 PLN	17.00 PLN
2021	2,800 PLN	18.30 PLN
2022	3,010 PLN	19.70 PLN
2023	3,490 PLN	22.80 PLN
2024	4,242 PLN	27.70 PLN

## Types of contracts

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

### Employment contract

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

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

- working time,
- remuneration,
- place of work,
- list of duties,
- date of the contract conclusion,
- date of employment starting,
- termination conditions,
- GDPR permits.

The employment contract has been the most popular type of contract offered by Polish employers in 2023.



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

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

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

## Contract of mandate

The fundamental difference between an employment contract and a contract of mandate is based on its governing regulations – the latter is based on the provisions of civil law. Other important aspects of the contract of mandate include the following:

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

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

The statement regarding the hourly rate is not needed explicitly as a point of the written contract, but the employer (provider) must make sure that the amount of overall payment relative to the working hours is not below the national minimum rate.

The financial penalties imposed by National Labour Inspectorate (PIP) for neglecting this issue can amount from 1,000 to 30,000 PLN.

All types of contracts are subject to income tax. When the amount resulting from a single contract is lower than 200 PLN, the flat tax rate applies. In other cases, a standard threshold system of 17% and 32% tax rates is valid.

The contract of mandate comes with access to health benefits and social security insurance (taxation and ZUS health contributions apply), but to a lesser extent than the employment contract (i.e. does not cover sickness insurance). According to provisions, every other source of entitlement to social security that is based on the remuneration higher than the national minimum wage and higher than the contract of mandate should be considered primary and priority source of ZUS insurance benefits. On the other hand, the contract of mandate provides the contractor with entitlement to pension and disability insurances.

## Contract of work

Contract of work concerns a product, task or service. The outcome is more important than the day-to-day availability of the employee and the performing duties process. The employees' responsibility is the result, not the action.

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

- flexible work time (as opposed to the 8-hour workday of an employment contract);
- does not include direct supervision, defined workplace or schematic, repetitive job responsibilities;
- does not carry the right to health insurance and social security.

The contract of work is not subjected to social security. The employee has several options concerning health and social benefits, but none of them involve the employer's participation. In Poland, there's a possibility of acquiring health insurance when the spouse of a given employee has the right to it, based on his/her employment contract. In addition, the contract of work does not include the right to paid sick or vacation leave. From the employee's perspective, this type of contract carries the lowest level of work-life security.

On the other hand, compared to other available employment options, the net salary stays relatively high due to lack of health insurance and social security contributions paid monthly by the employer from the remuneration [as well as pension, sickness, and accident insurance].

## B2B contracts

More and more popular in recent years in Poland, the business-to-business (B2B) contract is the equivalent of a contract of mandate, but with another set of benefits and shortcomings. B2B contracts are the most popular among the employees of international corporations and outsourcing companies from the creative, IT and media industries,

This type of agreement is possible only if the contractor is a business entity. In fact, the B2B contract is a self-employed contractor entering a partnership agreement with the other business [provider].

As for the distinctive features of the B2B contract:

- no specific place of work and time frame of work;
- no direct supervision from the provider, given that the two business entities are to be treated equally as partners;
- seniority [work experience] is not counted;
- no rights to paid vacation or sick leave;
- the first year of economic activity is covered by a small ZUS program [full exemption from the obligation to pay ZUS contributions].

## Comparison

Contract specifics	Employment contracts		Contracts based on civil law		
	Indefinite term	Definite term	Contract of mandate	Contract of work	B2B contract
Remuneration	defined in the contract; a higher salary for students younger than 26	defined in the contract; a higher salary for students younger than 26	defined in the contract; a higher salary for students younger than 26	defined in the contract; a higher salary for students younger than 26	defined in the contract, usually higher salary due to the lack of health and social contributions
Subordination	execution of employer's orders	execution of employer's orders	no strict subordination	no strict subordination	no strict subordination
Place of work	defined in the contract	defined in the contract	no requirements	no requirements	no requirements
Time of work	defined in the contract	defined in the contract	no requirements	no requirements	no requirements
Holidays	paid leave available, 20 or 26 days	paid leave available, 20 or 26 days	unpaid leave only, unless parties agreed otherwise	unpaid leave only, unless parties agreed otherwise	unpaid leave only, unless parties agreed otherwise
Type of performance	only personal	only personal	personal performance	personal performance	personal performance
Purpose	performance of duties	performance of duties	certain action	certain effect	partnership / cooperation
Notice [termination]	dependent on the type and duration of contract	dependent on the type and duration of contract	any time, unless stated differently in the contract	any time, unless stated differently in the contract	any time, unless stated differently in the contract

## Employment of foreigners

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

### EU, EEA & Switzerland citizens

Citizens of EU countries (as well as EEA and Switzerland) have unconditional and equal access to long-term work tenures in Poland, as long as they are registered in a voivodeship office. Without a registration, the foreign EU resident can only work in Poland for 3 months.

### Non-EU citizens

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

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

Exception from the general rule covers workers from European, but non-EU countries – i.e. Russian Federation, Ukraine, Armenia, Belarus, Georgia, and Moldova. The foreigners from those countries can work in Poland without a work permit, but the employer must prove his intention of employing in written form and submit the document to the local Labor Office. The above provisions do not cover seasonal workers. Note that the employee employed this way can only work for a maximum of 6 months out of 12 consecutive months.

The next step to the long-term employment of a foreigner is registering a working visa, which cannot be obtained without a valid work permit or written statement of employment intent.

As stated on The Office of Foreigners' (UDSC) website, a national visa for work is issued by the consul competent concerning the state of the foreigner's permanent residence. To obtain a work visa, a foreigner should supply the visa application with a work permit or the employer's written statement on the intention of delegating work to the foreigner if a work permit is not required. These documents are obtained by the entity wishing to employ foreigners.

## Representation of employees

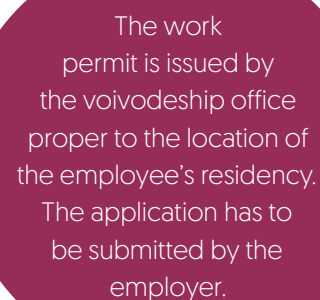
In larger companies predominantly, where the number of employees exceeds 50 (average over the year) – the employer is obliged to inform that employee representation can be formed. The sole purpose of such representations is to take care of employee rights (regarding general employment and working conditions, as well as influencing future decisions, which can affect employees).

Representative groups cannot be an integral part of the effective managing structure of the company, with the only exception of the privatized companies with more than 500 employees. In such a case, one position on the management board should be taken by the representative from a work council or a trade union.

## PESEL number for foreigners

Starting from June 1st, 2021, foreigners who settle personal income tax in Poland, will be able to apply for a PESEL number for tax purposes. The official way will introduce an application submitted to the appropriate municipal office by the applicant or his representative.

PESEL numbers assigned to foreign taxpayers will enable tax offices to identify them unequivocally. This will allow eliminating common mistakes when taxpayers use a number of the same digits. Foreign taxpayers will be able to use PESEL to log in to the "Twój e-PIT" service.



The work permit is issued by the voivodeship office proper to the location of the employee's residency. The application has to be submitted by the employer.

## Social Security

Every employer must pay contributions to the Social Insurance Office [ZUS], on behalf of both employment parties. Employees and employers contribution rates as of 2024 [paid by the employer]:

Insurance type	Employee	Employer	Total
Pension	9.76%	9.76%	19.52%
Disability	1.5%	6.5%	8.00%
Bridging Pension Fund	-	0 – 1.5%	-
Illness	2.45%	-	2.45%
Accident	-	0.67% – 3.86%	0.67% – 3.86%
Employees Benefits Fund	-	0.10%	0.10%
Labor Fund	-	2.45%	2.45%
Total (up to limit)	13.71%	19.48% – 24.17%	19.48% – 24.17%
Total (past limit)	2.45%	3.22% – 6.41%	5.67% – 8.86%

The limit of contributions for retirement and disability pension insurance in 2024 is 234,720.00 PLN. As an alternative source of social security, the Employee Capital Plans were created in 2019. It is a nationwide pension system independent from the Social Insurance Fund.

## Health care contributions

Starting from 2022, the health insurance contribution will be calculated individually, based on the income earned by the entrepreneur. If the income/revenue is too low for a contribution to be assessed, and at the same time the taxpayer qualifies for the obligation to pay, a minimum threshold will apply. The contribution calculation basis for a given month cannot be lower than the minimum wage in force on January 1st of a given year.

Following the above, assuming the minimum remuneration for work in 2024 – at the current amount of 4,242 PLN gross – the health insurance contribution amount in 2024 will equal 381.78 [value for the period January-June 2024] and PLN 387.00 [value for the period July-December 2024].

Currently in Poland, the possibility for deduction of health care contributions only applies to selected groups of taxpayers: entrepreneurs on the flat tax, lump-sum payers, and taxpayers using a tax card. The rule that allows deducting 7.75% of the tax base from the personal income tax for employees, contractors, and taxpayers subject to compulsory and voluntary health insurance contributions was abolished in 2021. Also, the so-called cooperating persons [relatives - as defined in the law - that stay with the entrepreneur in the same household and help him run the business], can count on a reduction in the health insurance base – from 100% average monthly salary up to 75%.

	Monthly contribution	Annual contribution
Tax scale	9% of income, not less than 381.78 PLN	9% of income, not less than 4,581.36 PLN
Flat rate	4.9% of income, not less than 381.78 PLN	4.9% of income, not less than 4,581.36 PLN
Tax card	381.78 PLN	4,581.36 PLN

From 2022, the exemption from the obligation to pay health insurance contributions for non-agricultural activities will be available to taxpayers whose income does not exceed 50% of the minimum wage and who use a flat-rate tax on recorded income.

## The Small ZUS plus

Small ZUS is a national project of social benefits addressed to small enterprises. The “plus” extension, which came into force in February 2020, increases the qualifying threshold from revenue amounting to 63,000 PLN to the value of income not exceeding 120,000 PLN annually. Entrepreneurs who meet this condition, will be able to pay contributions on an individually defined amount, the basis of which is the entrepreneur’s income.

How much is Small ZUS plus? To calculate the amount, use the formula: the annual non-agricultural business income value multiplied by 30 and divided by the number of calendar days of non-agricultural business activity [all of the values taken from the previous calendar year]. In the next step, the result should be multiplied by a constant factor of 0.5. The final result must be rounded to the second decimal.

The reductions only apply to social insurance: retirement, sickness, disability and accident insurance. The new regulations do not cover health insurance – its amount will remain unchanged, regardless of the company’s annual income. The reduction will apply for a maximum of 3 years (36 months) over 5 years of doing business. The exact amount is calculated proportionally to the company’s monthly income.

### Exclusions:

- Small ZUS-plus will not affect those entrepreneurs who use the VAT exemption or settle using a tax card – due to difficulties in calculating the contribution base.
- Companies paying ZUS under 24-month preferential contributions have been excluded because the rate reduction will not be beneficial for them.
- The reduction will not be available to entrepreneurs performing services for their former employers [due to the risk of mass transfers to self-employment].
- Entrepreneurs who conducted business activity for less than 60 days in the previous year have also been excluded.



## Employee Capital Plans

Employee Capital Plans (Polish abbrev.: PPK) law sets up a new, nationwide, intra-company pension system for employees, operating independently from the Social Insurance Fund.

The implementation of Employee Capital Plans has begun on July 1st, 2019. The employer will be responsible for the efficiency of the PPK, with financial support from the state budget. The employers' duty (according to law) will be, among others, signing favorable agreements with financial institutions, monthly premiums payments, and sharing information about the saved capital.

The requirement to create a PPK inside the companies' payroll structure covers economic entities employing at least one sole proprietor, for which they pay contributions to retirement and disability insurance.

Although the PPK is a nationwide and obligatory program, there are exceptions. The group of employers who are exempt from the necessity to create and run a PPK includes:

- Employers who have previously introduced Employee Pension Plans in the company and who pay contributions of a minimum 3.5% of their months' salary
- Companies in which a minimum of 25% of all employees have joined the Employee Pension Plan
- Micro-entrepreneurs (provided that all employees without exception officially resigns from the PPK)
- Sole proprietors as economic entities employing other sole proprietors without any formal relationship with their business activities.

In the process of PPK implementation, the employer must sign two types of agreements:

- **For managing PPK**

A contract between an employer and a selected insurance company (like TFI or TFE funds). The legislation requires that the choice of an insurer must be made in agreement with the employee's side (like employee committee or trade union representatives). Companies should finalize the contract no later than 10 working days before the date of signing the contract for running the PPK. Its' contents must include general provisions, payment dates, and conditions for changing or terminating the contract.

- **For operating PPK**

A contract between the insurance company and the employer on behalf of each particular employee. Therefore, the employer must ensure that the conditions of the contract are as beneficial for employees as it gets. From June, 2022, a newly hired employee will be able to join the PPK after only 14 days of employment, no later than by the 10th day of the month following the month in which the term of 3 months of employment expired.

## Working hours

The rules on working time, breaks and overtime are regulated by the Labor Code.

According to article 129, §1, Working time may not exceed 8 hours in a 24-hour period and an average of 40 hours in an average five-day working week in an applicable calculation period not exceeding 4 months. Every hour of work outside these limits should be considered overtime.

A working time schedule of a given employee may be prepared, in a written or electronic form, for a period shorter than a given calculation period, however, not shorter than 1 month. An employer hands over to an employee a working time schedule at least 1 week before starting work in the period for which the schedule has been prepared.



## Vacation entitlement

For a first time worker, the first annual leave is earned at the end of each working month. Every month, the employee has the right to 1/12 of 20 days – 1.66 days.

The number of vacation days depends on an employee's overall work seniority (counting any work undertaken in the past):

- 20 days  
[employment period of fewer than 10 years],
- 26 days  
[employment period of at least 10 years].

In the case of part-time employment, the duration of the leave is determined in proportion to the employment dimension.

## Paid leave

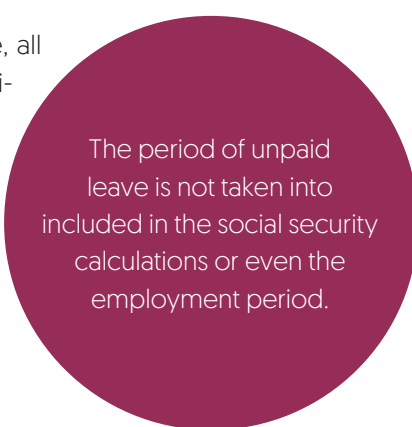
The Polish Labor Code states that every employee (under the employment contract) is entitled to 20 or 26 days of leave paid to the full extent. The number of days available is connected with seniority (overall, including the accumulated years from the education period). Therefore, graduation from a specific type of school affects the length of paid leave in the following pattern:

- basic or other equivalent vocational school – the length of the education, no more than 3 years,
- secondary vocational school – the length of the education, no more than 5 years,
- middle comprehensive school – 4 years,
- post-comprehensive school – 6 years,
- school of higher education – 8 years.

If the total seniority calculated that way (with the addition of proper work experience) does not exceed 10 years of experience, the employee is granted 20 days of paid leave per 1 year (unused days are carried over to the next year, although they must be used first before the next 20 days of leave). When the basis exceeds 10 years, then the employee is entitled to 26 days per year.

## Unpaid leave

During the unpaid leave, all of the financial responsibilities of the employer towards the employee (remuneration, non-wage benefits) as well as towards the administrative side



The period of unpaid leave is not taken into included in the social security calculations or even the employment period.

[ZUS contributions, tax advances] are withheld. Also, unpaid leave can be taken at the employee's request, but the employer's decision is necessary, as stated in the provision of the Labor Code.

## Termination of contracts

According to the Labor Law, the employment contract can be terminated:

- by mutual consent of the parties;
- upon a declaration of one of the parties observing the termination notice period (termination of an employment)
- upon a declaration of one of the parties without observing the termination notice period (termination of an employment contract without notice);
- after the expiry of the time period for which it has been concluded.

A statement on the termination of an employment contract by either party, with or without notice, must be made in writing and provide grounds justifying the termination of the contract. In case the termination reason does not meet the requirements of the law, the employee can appeal to the Labour Court.

The written termination note always consists of a period after which the employee must terminate his working duties. By way of the mutual agreement, the employer may dismiss the employee from work for which the employee retains the right to remuneration.

In connection with the termination of the employment contract, the employer may release the employee from the obligation to perform work until the end of the notice period. During the period of this exemption, the employee retains the right to remuneration.

The termination notice (for an indefinite and definite period of employment) depends on the employment period with a given employer and amounts to:

- 2 weeks – when the employment lasts below 6 months,
- 1 month – when the employment lasts over 6 months,
- 3 months – employment for at least 3 years.

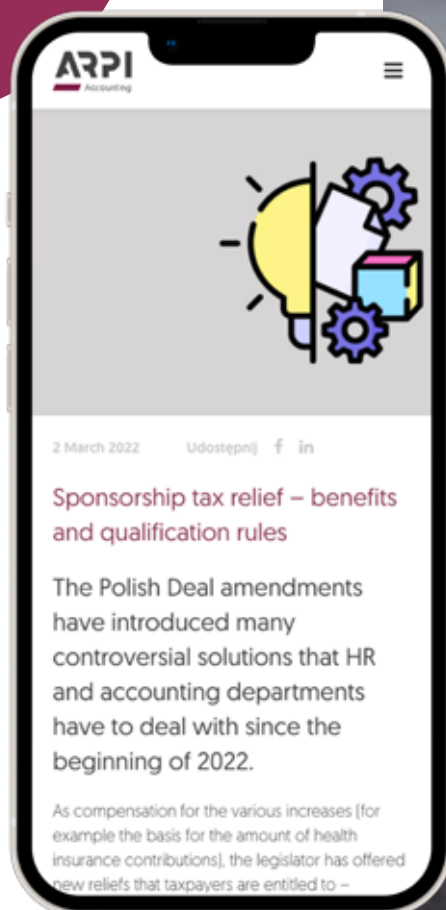
The termination notice period for an employment contract concluded for a trial period amounts to:

- 3 working days if the trial period does not exceed 2 weeks;
- 1 week if the trial period is longer than 2 weeks;
- 2 weeks if the trial period is 3 months.

As for the contract of mandate and contract of work terms of the notice period term determines Civil Law. Besides in practice, the content of the contracts is usually including the agreed terms and length of the notice period.

The same rule applies to the contractor, as he/she can inform the provider on a day to day basis, about the resignation, which results in termination.

Visit our blog and learn more about the most important legal changes in Poland. All of the articles are written and updated by ARPI's team of experts.



# Legal aspects and accounting

Explore the possibilities and learn about the crucial regulations that will shape your business in Poland





## Legal system

The principal basis of the Polish legal system is the present Polish constitution, established on April 2nd, 1997. Since the adoption of the new constitution, Poland underwent major changes, rapid economic growth and, most importantly, succeeded in the accession to the European Union in 2004, which brought about many legislative changes needed to adapt to the common-wealth conditions.

In principle, the judicial system is presented in article 173 of the Polish Constitution. The judicial system consists of the Supreme Court of Poland, courts of law, administrative courts (including the Supreme Administrative Court) and military courts.

The Supreme Court (Polish: Sąd Najwyższy) is the highest judicial institution that supervises the adjudication of lower courts and is the last resort of appeal against their judgments. The Supreme Court judges are appointed for an indefinite period with the obligatory retirement age of 65.

### Common courts are divided into:

- Regional courts – cover an area of several communes.
- District courts – cover an area of several district courts.
- Appeal courts – second instance courts, cover a territory of at least two regional courts.

From the standpoint of business owners, there are four important Laws that sets the regulations for any business activity conducted in Poland:

- The Civil Code of 1964
- The Commercial Companies Code of 2000
- The Act on Entrepreneurs of 2018
- The Act on Rules of Foreign Entrepreneurs' and Other Foreign Persons' Involvement in Trading in Poland of 2018

## Form and content of accounts

There are no strict provisions on the shape of the form of account books, but every company must establish its book of accounts and the accounting itself must be performed by the registered accounting office.

When the proper time comes (usually the end of the company's financial year), every company must prepare:

- a financial statement
- the report, containing information regarding the statement
- the balance sheet
- profits and losses account

Accounting in Poland utilizes the double-entry book-keeping standard – a system where every particular entry to an account requires a corresponding, opposite entry to a different account.

## Financial statements

The law imposes the obligation to prepare financial statements in an electronic form. The document has to be signed electronically following the Accounting Act and submitted to a Financial Documents Repository (RDF) as a financial report XML file. The file itself should be signed by all members of the company's management board.

From January 1st, 2022, the financial statements may be signed by only one member of a company's governing body - the person entrusted with bookkeeping and by the head of the governing body. Other members of the governing body, previously required to sign, may submit a special statement informing that the financial statements in question meet the requirements provided for in the Act. Such a declaration must be attached to the approved financial statements.

The financial statement must be signed with the use of a qualified signature and a trusted profile on the ePUAP platform. Note that the PESEL number is required to set up a trusted profile [PESEL is an ID number assigned to every Polish citizen or available for foreigners by application]. The shareholders must approve the completed financial statement during the Shareholders' Meeting Board [the shareholder's resolution of approval]. Within 15 days from approval, the statement must be submitted to the Court Registry.

The deadline for submitting the annual financial statements: no later than three months from the balance sheet date. Note that the recent amendments related to the COVID pandemic have extended the deadlines form financial statement submission. As for 2022, the deadline for submission has been extended by an additional 3 months.



## Inventory of fixed assets

In Poland, the inventory of fixed assets should be carried out due to the last day of each financial year – by way of counting their quantities – but can be started 3 months before the end of the financial year and last up to the 15th day of the following year. For assets such as property, land and real estate rights, or for those with the access (for the purpose of valuation) is significantly hindered, the inventory can be maintained once for 4 financial years.

According to the Law on Accounting, fixed assets must be booked accordingly to the cost of acquisition (i.e. the company shares) or production cost. Assets are naturally the subject of amortization, which calculation formula is also part of the inventory. The amortization period should not exceed 5 years (although there are a few exceptions, which extend this period to 20 years).

### Valuation examples:

- any financial liabilities – the amount required for payment,
- loans, receivables – the amount due,
- loans bought as financial assets – adjusted purchase price,
- construction assets – the cost incurred by the construction process,
- properties for investment (generation profit) – the purchase price including depreciation factor,
- the company's own shares – acquisition price.

### FIFO, LIFO

First-In, First-Out (FIFO) and Last In, First Out (LIFO) are the methods alternative to the costs averaging, used to estimate the value of the fixed assets and costs of goods sold at the end of the company's financial year. The difference between FIFO and LIFO is the order of succession of the acquisition of the assets.

- FIFO – assets purchased/produced first ought to be sold first (with the newest awaiting their order),
- LIFO – assets purchased/produced last ought to be sold first (newest goes first).

## Audit

The basis for the audit requirement is the statutory need for the entities preparing financial statements in accordance with the International Accounting Standards, International Financial Reporting Standards, to apply the adopted accounting principles, fairly and clearly presenting the property and financial situation as well as the financial result.

In Poland, the statutory need of performing the audit of the company depends on several factors. First, there are entities obliged for an annual audit regardless of the financial or employment requirements, in accordance with article 64 of the Law. Among them:

- joint-stock companies (excluding companies as at the balance sheet date in the organization),
- banks and financial institutions,
- insurance companies,
- branched of credit institutions,
- investment funds,
- pension funds,
- cooperative unions,
- listed companies.

Entities and companies, other than the ones mentioned above, are the subject of the audit requirement only if at least two of three following conditions are met:

1. Average annual employment in full-time employment was at least 50 people.
2. Total balance sheet assets at the end of the financial year equaled or exceeded a Polish currency equivalent of 2,500,00 EUR.
3. Net revenue, as well as financial transactions for the financial year, equaled or exceeded a Polish currency equivalent of 5,000,000 EUR.

Predominantly, the audit ends with the audit report, prepared by the auditor, which is a written report on the audit of the financial statements containing the expert opinion on the audited report. Such a document may serve as a development or transformations tool for improving ongoing control of operations, although its main purpose is the validation of the entities' financial functioning.

## Unified Control File (JPK)

At the beginning of 2020, the Unified Control File for Tax – JPK\_VDEK – replaced most of the previous VAT statement formats for the major national taxpayers. It also prompts taxpayers towards monthly instead of quarterly cycles.

The JPK\_V7M[2] and JPK\_V7K[2] have replaced the older formats since the beginning of 2022

Each of the JPK documents described with the appropriate scheme is to constitute a separate XML file. The generated XML file should be UTF-8 encoded. The compliant schema is published on the website of the Polish Ministry of Finance.

If the submitted JPK\_VAT statement contains errors, the head of the tax office will request the taxpayer to verify and correct it. The taxpayer will have 14 days from the receipt of the request to correct and resubmit the statement. If they ignore the request, they may expect consequences – they may be charged with a fine imposed through a decision, amounting to 500 PLN for each error, with no upper limit of the fine.

From 2023, the JPK file should include all issued invoices in the records, excluding invoices included in the records in accordance with point 8 and point 9 lit. a, i.e. fiscal receipts considered as simplified invoices and tickets.

## Central Register of Ultimate Beneficial Owners

Among the new responsibilities for Polish entrepreneurs, passed by the legislators in 2019, is The Central Register of Ultimate Beneficial Owners in Poland (abbrev. as CRBR) – the governmental public list that gathers information on the ultimate beneficial owners (abbr. UBOs) that directly run Polish companies. It came into force on April 13th, 2020, as an implementation of the EU directive under the law on counteracting money laundering and terrorist financing.

The UBO means any natural person(s) who ultimately owns or controls the customer and/or the natural person(s) on whose behalf a transaction or activity is being conducted. The fact of controlling transactions and new business relations with clients are also eligible.

CRBR will serve as a register of the UBOs, which refers to individuals exercising decisive control over a given company. It results from EU legislation that each EU member state should collect information on beneficial owners and is obliged to provide full insight to the authorities when necessary.

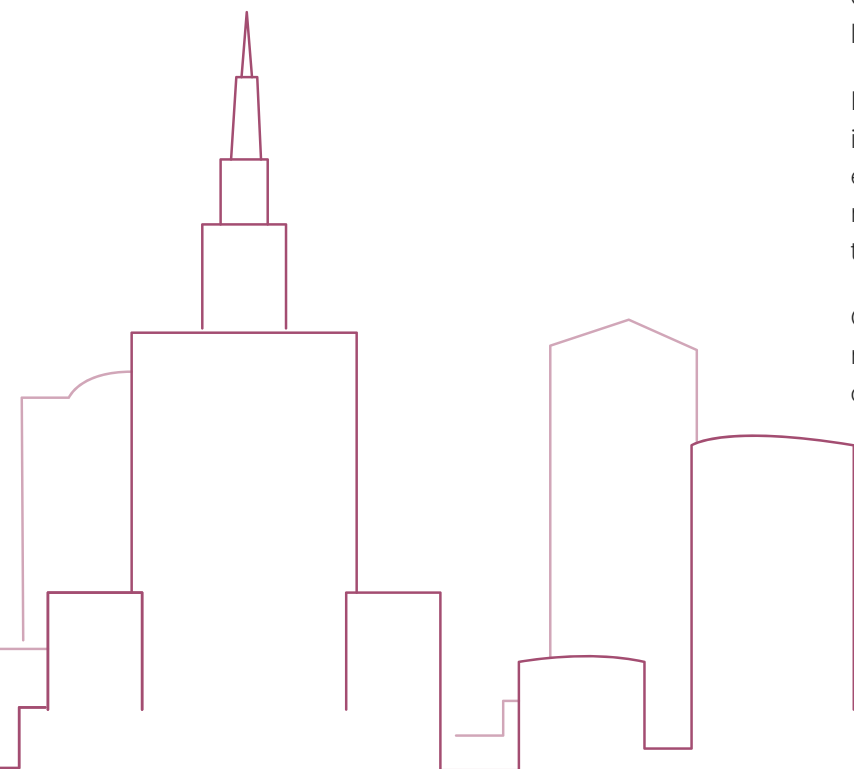
The register will contain the UBOs of the following types of entities:

- general and limited partnerships,
- limited joint-stock partnerships,
- companies with limited liability,
- joint-stock companies,
- simple joint-stock companies.

The application can only be made by a person who, due to his position, can represent a given company, like the company's president or a member of the board. The law does not allow for the possibility of using proxies.

In addition, non-governmental organizations operating in the form of associations, foundations and cooperatives entered into the National Court Register are required to report beneficial owners – this also applies to organizations under liquidation.

Companies can face up to 1 million PLN penalties for not reporting all their UBOs in due time (14 days from the date of entry into the National Court Register).



## GDPR / Data protection

Poland, as a member of the European Union, is a signee of the GDPR Regulation [2016/679]. Therefore, all of the provisions resulting from the said Regulation apply in Poland, with addition of locally amended legislation.

## Anti-Money Laundering (AML) in Poland

From 2021, the AML (Anti-Money Laundering) procedure has been in force in Poland. The obligations of AML are covered by entities, including accounting offices. Its functioning has two key tasks, i.e. counteracting money laundering and terrorist financing.

AML procedures can be summarized in 5 points:

- 1 Develop internal procedures for identifying and assessing the risk of money laundering and terrorist financing, as well as rules for reporting by employees both actual and potential violations
- 2 Designate persons responsible for carrying out the AML procedure
- 3 Identify and Provide information to the General Inspector of Financial Information (GIFI) on ML / TF risks
- 4 Provide information to the General Inspector of Financial Information (GIFI)
- 5 Conduct regular training for employees

Penalties for non-compliance with procedures can range from financial penalties to the enterprise as well as being banned from holding a managerial position for up to one year.

# Important tax obligations

Understand the details about VAT, PIT, CIT and other major financial obligations towards the Polish tax administration



# VAT

Value-added tax (VAT) covers every entrepreneur who deals with import, export, sales (delivery) and resale of goods and products.

As a rule in Poland, you are required to register as a VAT payer if the total value of your sales in the previous fiscal year exceeded 200,000 PLN. That amount does not include the amount of tax and the supply of goods and services provided for in art. 113 section 2 of the Law on tax on goods and services (including intra-Community delivery of goods and mail-order sales from the territory of the country, and mail-order sales within the territory of the country).

The amount of tax is calculated monthly based on the revenue made from sales earned during the previous month. In the case of the surplus VAT amount paid, the excess value will be used for the purpose of future VAT liabilities or refunded (within 60 days from the date of declaration submission).

There are several governmental provisions and mechanisms regarding VAT in Poland, some of them amended quite recently, in the span of a few years. You can read about the most important ones in the following sub-chapters.

## VAT rates

A simple and straightforward matrix of VAT rates, the Combined Nomenclature [CN], which introduces new rate values, came into force on July 1st, 2020.

The CN, commonly used in EU countries, solves many issues caused by the PKWiU 2008 [the system previously obligatory in Poland]. The new CN system is an attempt to regulate and adjust the matrix to the European Union standards.

The Combined Nomenclature covers only goods (in a commercial sense). For all services eligible for VAT settlement, the updated PKWiU 2015 system still applies.

In Poland, there are currently four VAT thresholds:

- 23% – a standard rate applies to all supplies of goods or services.
- 8% – applies to goods and services related to construction (supply, construction, renovation, modernization, energy efficiency or conversion

of buildings or parts of them included in the construction of social housing agenda).

- 5% – applies to:
  - basic food products (like bread, dairy products, meat preparations, preparations made from cereals, flour, groats, pasta, juice)
  - printed books and on disks, tapes or other physical media and specialist periodicals.
- 0% – preferential rate applicable to the intra-Community supply of goods and the export of goods. It shall also apply to goods and services related to maritime and air transport and transport services relating to the export of goods, international transport services, also certain services provided by operators engaged in tourism, [services supplied for the direct benefit of the traveler outside the Community].

## VAT deduction

The taxpayer has the right to deduct the VAT paid at the price of goods and services if he is an active VAT payer. Also if the goods or services from which he wants to deduct VAT are related to the taxable activities performed. You must have an authorizing document (invoice) and the expense does not apply to goods or services for which the law restricts the possibility of VAT deduction.

The principle of VAT neutrality applies in Poland. It is based on the fact that the input VAT (resulting from sales invoices, which must be paid to the tax office) can be deducted from the input VAT resulting from invoices.

The tax should be paid when the declaration for a given accounting period shows a surplus of output (sales) VAT over input (purchase) VAT. The excess VAT should be returned after 60 days, that's the standard period. The shortened period, 25 days, can be achieved by using a VAT bank account or after meeting the statutory conditions. The 40 day period, for taxpayers issuing structured invoices only. The 15 day period came into force in 2022 and is available only for payers that meet ten statutory requirements.

The rules of VAT deduction deadlines allow for VAT deductions up to 5 years back (as a correction).



However, this can be done at the earliest in the settlement for the period in which the tax obligation arose.

Starting from October 1st, 2021, under SLIM VAT II amendments, the taxpayer will be able to deduct the VAT amount with the help of tax adjustment [correction] of past settlements. The mechanism is to include an expense to be deducted in the tax return for the period in which the right to deduct VAT arose, and for one of the three subsequent accounting periods after the tax period in which this right arose.

The Polish Deal amendment introduced joint settlement within so-called VAT groups. A VAT group is a group of entities related financially, economically, and organizationally, registered as VAT payers. Although there are several conditions that should be met to create such a group.

### Split payment method in VAT

Split payment method [in Poland: Metoda Podzielonej Płatności, MPP] was introduced in July 2018 as an optional method of paying for VAT invoices. An amendment of the law changed the possibility of a nationwide obligation and was implemented in several stages to specific industries.

The necessity to use the split payment method applies only for transfers for an amount higher than 15,000 PLN gross. The equivalent of the above amount in foreign currencies is also eligible. Note that the direct value of the transaction is not determined by the amount stated on the invoice or the amount paid, but by the value resulting from the contract.

### Split payment step by step:

1. Entrepreneur A provides a service to entrepreneur B.
2. Entrepreneur B makes a single bank transfer using a split payment method [including a special annotation "metoda podzielonej płatności" is required within the online bank transfer interface as well as on the invoice].
3. The bank splits the transfer into two separate accounts:

- An individual account of entrepreneur A: he receives only the net payment for the service.
- VAT account: the amount of VAT is immovable until the entrepreneur A settles the tax, entrepreneur A has limited access.

The funds accumulated on the VAT bank account will be available for use to a limited extent, but mostly to settle VAT as well as the following tax liabilities:

- income tax (PIT/CIT),
- excise,
- customs,
- contributions to the Social Insurance Institution [ZUS].

### WDT/WNT

Intra-community transactions are defined as a delivery [WDT] or purchase [WNT] of good, specifically a transaction between two active VAT payers from the European Union.

According to the current regulations [in force from the beginning of 2020], the requirement to provide the supplier with a valid VAT identification number and the need to submit VAT-EU for WDT transactions is material [as opposed to formal]. The buyer and supplier both must have an active VAT number [thus there is a need to verify the validity of the number] and are also obliged to include them on the sales invoice and other evidence of intra-community transactions.

An active VAT taxpayer carrying out an intra-community supply of goods, who wants to apply the 0% rate, should first register for VAT-EU using the VAT-R form.

A similar rule applies in the case of the obligation to submit a VAT-EU recapitulative statement [although the VAT-EU statement serves mainly statistical purposes, not as a tool for making a financial settlement]. It should be submitted within three months by the 25th day after the month to which the tax liability relates.

## JPK\_V7

The universal value-added tax declaration format, which is part of the JPK\_VDEK set, contains complete information about purchases and sales (VAT records for a given period), records from the VAT-7 declaration and all necessary data needed for correct analysis. From January 1st, 2022, new variants of the JPK\_VAT logical structure with the declaration came into force: JPK\_V7M [2] for monthly settlements and JPK\_V7K [2] for quarterly settlements.

For monthly settling, JPK\_V7M should be submitted by the 25th day of the given month after the month that is the subject of the settlement. Taxpayers settling quarterly should first complete the registration part for the first 2 months of each quarter, and then, after the end of the given quarter, complete the record for the third month of the quarter and submit the declaration part for the entire period. The declaration should be signed with a qualified signature, trusted profile or authorization data.

Note that the SLIM VAT II amendment, in force from September 2021, introduced the possibility to correct the VAT declaration in the JPK\_V7 file. This only applies to settlements for the import of goods. The VAT taxpayer will receive 4 months (after the month in which the declaration was to be made) to submit such a correction.

## The National e-Invoices System

The National e-Invoices System (in Poland abbreviated as KSeF) will be a nationwide solution allowing for the generation and storage of e-invoices. The KSeF operation is based on the so-called structured invoices - a format with a predetermined form (with legal information) within an electronic XML format, which enables automatic reading and processing of the data.

As of March 2024, the National e-Invoice System will become the exclusive nationwide invoice exchange system as of July 1st, 2024, however, the government

From 2020, any payment made by or for the registered VAT payer should be made on the bank account registered on the white list.

has already announced a postponement of the implementation date by at least a year.

## White list of active VAT payers

The white list of VAT payers is electronic, nationwide, obligatory and public register of VAT payers which contains information regarding the status (active, exempted, removed, restored, etc.) of payers. The database is maintained by the Head of the National Tax Administration (KAS).

The list itself is public and available through The Bulletin of Public Information on the website of the Ministry of Finance, or Central Registration and Information on Business.

It is worth mentioning that the bank accounts of foreign entrepreneurs cooperating with Polish companies can pose a problem in this context. Not all types of bank accounts can be added to the so-called white list of VAT payers. The white list can only include Polish bank accounts, as the confirmation system (STIR) used by tax offices simply does not accept foreign accounts due to their different numerical structure. Only billing accounts are taken into consideration, specifically accounts provided during the application for the Tax Number acquiring or upon CEIDG entry.

Therefore due to the white list regulations, foreign companies (registered in Poland as VAT payers) must set up accounts in Polish banks or SKOKs. There is no indication that foreign companies could avoid such an obligation anytime soon.

The list of excluded accounts includes:

- trust accounts (escrow)
- deposit accounts
- personal accounts (in Poland: ROR)
- virtual accounts (i.e. sub-accounts created for and directly assigned to a specific contractor)

Any payment made to an account other than officially registered in the new list involves the risk of financial and tax penalties. This applies only to transactions above 15,000 PLN (transaction defined as a certain good acquired or service is undertaken according to the contract between parties, not a singular bank transfer). In the event of a mistake, both sides of the transaction

face liability for full VAT obligation. Moreover, the invoice amount will not be included in the settlement of tax-deductible costs.

## Binding Rate Information (WIS) in VAT

Binding Rate Information is a decision issued by the Director of National Tax Information indicating VAT rates for goods or services specified by the taxpayer. Since February 2020, taxpayers can search for published Binding Rate Information in a database, which was made public by the Ministry of Finance.

WIS issued at the taxpayer's request replaced individual tax interpretations. The main difference between the previous and current format is the inclusion of the classification of goods and services and the new VAT rates matrix.

Each Binding Rate Information contains:

- appropriate classification of products and services [necessary to determine the tax rate and indicate provisions that will apply];
  - matched VAT rates.
- Each Binding Rate Information contains:
- a list of products or services [by the content of the application];

The Ministry of Finance has launched a public database of Binding Rate Information issued. With the help of the provided search engine, it is now possible to search for specific WIS by their identification numbers. The search engine for issued WIS can be found here: [www.kis.gov.pl](http://www.kis.gov.pl).

## CIT [Corporate Income Tax]

Corporate income tax is a liability concerning companies formed under Commercial Companies Code with a registered residency in Poland. Its amount is based on the corporate income regardless of source or methods of obtaining it [with the only exception of forms of income such as interests and dividends sent abroad as payment for work or service, these are covered by the withholding tax regulations].

The tax year for corporate income tax is analogous to the other major taxes in Poland – it is generally set for 12 consecutive months.

### CIT rates

In practice, there are two rates of corporate income tax in Poland, depending on whether the company is entitled to a reduction. The standard corporate income tax rate is 19%, applies to legal entities and is related to the annual income.

The preferential tax rate is 9%, it covers new companies within their first year of operation and those taxpayers, whose revenues in the previous year did not exceed 2 million EUR. Remember that the 9% CIT preferential rate excludes revenues from capital gains.

### Minimum corporate income tax (CIT)

The minimum CIT is 10% of the tax base, which is calculated on the basis of the taxpayer's income and costs incurred. From 2023, the minimum CIT will apply to companies that have achieved a loss or share of income in revenues not exceeding 2% [in a given tax year].

In order to show the actual amount of tax at the rate of 10% that a given company will be obliged to pay, one must calculate following aspects [specified in the Act]:

- 4% of the value of revenues [total] from a source of income other than capital gains;
- costs of debt financing incurred for related entities, exceeding 30% of the so-called tax EBITDA [similar to art. 15 c, but without the exempt amount of 3 million PLN] – NKUP on which we pay minimum tax;
- purchase costs from related entities or tax havens, of certain services or intangible rights [previously Art. 15] in the part exceeding 3 million PLN + 5% of the so-called tax EBITDA;
- deferred income tax, which increases gross profit or decreases net loss.

The law, implemented at the beginning of 2023, excludes a company from 10% CIT, if the company:

- achieved revenues in the tax year by 30% lower than in the previous year;
- belong to the following sectors: financial services, mining, energy, maritime and air transport;
- is a start-up taxpayer, small CIT payer, municipal company, taxpayers in bankruptcy or liquidation.

Some business circumstances allow a reduction of the tax rate to 5%, such as revenue obtained from created or improved qualified intellectual property rights [the IP-Box regulations]. Some requirements must be met for entrepreneurs to qualify for the reduction. The company is eligible for the 5% tax rate when it:

- conducts research and development activities;
- creates a qualified intellectual property (IP) right resulting from research activities;
- keeps separate records of all financial operations related to income from IP rights;
- earns income from qualified intellectual property rights, taxable in Poland.

## Deductions

Some categories of taxable income may be deducted from the amount of income tax that the taxpayer is eligible to pay.

Deduction	Purpose
10% maximum	donations for public organizations or for the purpose of worship
20% maximum	bank loans that were canceled due to the restructuring process
50% of the expenditure	acquisition of new technology
without limit	donations for charity

## Taxable entities

To fall under the regulations concerning corporate income tax, the entity must be established by the Commercial Companies Code and be either a Polish resident (incorporated residents) or at least must have the management structures localized within the territory of Poland (unincorporated residents).

Incorporated residents are subject to unlimited tax liability, meaning that their tax value is calculated from the income regardless of the source (global). Unincorporated residents pay the tax derived only from the income that has its source in Poland – limited tax liability.

From January 1st, 2022, every limited partnership qualify to pay tax on its income at the basic rate of 19%, if the company's income in the current tax year does not exceed 2 million EUR, at the rate of 9%. In practice, the recent amendment to the CIT law means double taxation for a limited partnership on two levels - the partnership (CIT) and each payment of profit to partners (PIT).

## Tax payments & return

CIT and PIT in Poland share the same method of settling with tax offices or the KRS – which consists of monthly or quarterly tax advances and an annual tax declaration that summarizes the tax year of a given company. It is the taxpayer's responsibility to calculate the correct amount of every month/quarter payment. The rule is that the amount of the advance must be equal to the difference between the tax due on income earned since the beginning of the tax year and the sum of advances due for previous months.

Using the month scheme, advances are paid by the 20th day of each month for the previous month.

Alternatively, the company can switch to the quarterly advance payment cycle. The choice of the quarterly method should be expressed in the annual tax return by checking the appropriate box in the CIT-8 form or PIT-36 tax return. The calculation principle stays the same except the difference must refer to the sum of the advances due for the previous quarters.

From January 1st, 2020, the entrepreneurs that are not registered in National Court Register (KRS) are obliged to send financial statements to the Head of the National Tax Administration (KAS), using the updated 1\_2 version structures. It can be made as before, with the help of the e-Sprawozdania Finansowe interface or its free app.

## Transfer pricing

If the company has made any transaction with related entities, there is a necessity for special transfer pricing documentation, created annually, which gives a full report on the transfers and their value.

The estimated value of the transaction between associated enterprises should be the base for the selection of transactions that local documentation will cover and then classified under one of the available categories. The new (updated in 2019) materiality thresholds for sales and purchases replaced the previously used income and cost criterion.

Accordingly:

- 10 million PLN – for goods and financial transactions,
- 2 million PLN – for services and other transactions.

Transactions carried out by domestic entities do not have to be subjected to a documentary obligation if none of these entities:

- experienced a tax loss [in a given year],
- have taken advantage of concessions given by the special economic zone,
- used concessions provided for the Treasury, NBP or budgetary units.

Transfer pricing documentation should include:

- list of related parties where the capital share is at least 25%,
- transactions with associated enterprises,
- transactions that have a significant impact on the taxpayer's business activity,
- transactions exceeding more than 50 million EUR in a tax year.

Taxpayers are obliged to present the complete transfer pricing documentation within the scope of the following periods of time.

Documentation item	Deadline
Local file	The end of the 9th month after the end of the financial year
Master file	The end of the 12th month after the end of the financial year
In the case of the request of the tax authorities	Within 7 days from the date of request deliverance

## Thin capitalization

According to the regulations amended in 2018, thin capitalization covers all taxpayers with all types of loans and credits [previously it only referred to loans from associated entities]. The formula for calculating the limit in Poland is as follows:

Amount of interest paid on the loan  $\times$  [debt – equity]/liabilities = amount of interest not constituting buy

This formula covers every type of loan or credit taken by the business entity in Poland. Note that the taxpayers can carry the non-deductible costs from a certain year for up to five-year extent [consecutive].

From 2022, there is a total ban on tax settlement of the costs of debt financing incurred from related entities, intended for capital transactions. Additionally, the limit of the excess debt financing costs [and this applies to related and unrelated entities] exceeding 3 million PLN per year will be 3 million PLN or 30% of tax EBITDA per year.



## Depreciation rates

Depreciation works on the same principles as tax deductions, so the depreciation write-offs are included in the tax-deductible costs. The categories of assets that qualify for the write-off are specified in the list of annual depreciation rates, within the Annex of the Act of February 15th, 1992, on corporate income tax.

The list includes fixed assets with a long service life [specifically more than one year].

Assets	Depreciation rate
Various buildings and constructions *	1.5-10% (depending on the type of building)
Office equipment (furniture)	20%
Machinery and equipment (general)	7-20%
Road building and construction machines	18-20%
Computers	30%
Motor vehicles	20%

\*

From January 1st, 2022, it will no longer be possible to depreciate residential buildings with their cranes; residences constituting a separate real estate; cooperative ownership right to a flat, and the right to a single-family house in a housing cooperative.

## Dividends, royalties, and interest rates

Payments	Rate	Subject to
Dividends	19%	local withholding tax
Royalties	20% **	local withholding tax (active Double Taxation Treaties may alter the rate)
Interest	20% **	local withholding tax (active Double Taxation Treaties may alter the rate)

\*\*

Except when the payment is made to the residents, then the tax rate is 19%.

Please remember that from 2022, the Polish Deal amendments introduced a new rule regarding Withholding tax (WHT) called Pay & Refund. It overwrites the regulations regarding dividends, royalties, and interest payments. Read more about this subject in [chapter 5](#).

## Tax relief for bad debts in CIT

The regulations on tax reduction for bad debts in the field of income tax came into force at the beginning of 2020. The law allows entrepreneurs to reduce the tax amount they'll have to pay by the value of unpaid invoices. Similar regulations have been functioning in the VAT system for several years prior to 2020.

The tax reduction for bad debts allows the creditor to reduce the amount of income tax by decreasing the revenue by the value from invoices unpaid by the contractor.

Changes that came into force in 2021 (included in the SLIM VAT II amendments) extended the possibility of granting tax relief to entities placed under restructuring, bankruptcy proceedings at the national level, liquidation, and the declaration of consumer bankruptcy.

The tax reduction is not available if the entities of the transaction (creditor and debtor) are connected in any formal way. Furthermore, it is not due if the creditor sold the liability before the end of the payment deadline.

## Estonian CIT

Estonian CIT (this Polish tax variant is not related to the European country of the same name) is a flat-rate CIT tax, the payment of which is deferred until the profit is paid to shareholders, mainly in the form of dividends paid to these entities.

Estonian CIT is available to a limited partnership, a limited joint-stock partnership, and a simple joint-stock company. Estonian CIT can only be implemented by companies whose shareholders are only natural persons.

At the time of the payment of dividends to the shareholders of the company, taxation with CIT income tax is in practice 5% of the established tax base (if the taxpayer has a small taxpayer status). 25% of the established tax base if it is used by an entity with the status of a large taxpayer.

### The tax base consists of:

- the sum of income from distributed profit and income from profit intended to cover losses determined in the month in which the resolution on distribution or coverage of the net financial result was adopted;
- sum of income from hidden profits and income from non-business related expenses determined in the month in which the benefit was made or the payment or expense was made;
- income from changes in the value of assets generated in the month in which the merger, division, transformation of entities, or contribution in kind took place;
- income from net profit for the tax year in which taxation ended with a lump sum.

Estonian CIT can be implemented for four consecutive years, with the possibility of a one-time extension for another four years. With this method, company profits will not be taxed in the period in which they are earned, but only when they are paid out.

## Capital gains and losses

Regarding capital gains and other subsidiary incomes in a company's financial year, the tax is deducted separately from the primary CIT base; gains are taxed as normal income.

As for the capital losses, the taxpayer can reduce the income by the amount of loss obtained from the same source of income in the next five consecutive tax years, with the exception that the amount of the reduction in any of these years may not exceed 50% of this loss.

## Tax reliefs under the Polish Deal (CIT)

The Polish Deal amendments changed the landscape for CIT payers quite significantly. Among the changes, there are a several new tax reliefs that can be acquired, such as:

Consolidation tax relief	An additional deduction from the tax base of selected costs incurred for the acquisition of shares or stocks of an unrelated capital company with legal personality, conducting similar activities. The value of the relief may not exceed PLN 250,000 per year.
IPO tax relief	Consists of an additional deduction from the tax base of 50% -150% of the costs related to the IPO.
Prototype tax relief	A maximum of 10% of income can be deducted from the tax base, with 30% of costs related to trial production of a given product and the costs of related expertise.
Expansion tax relief	Additional deduction from the tax base of selected costs incurred to increase sales of products.
Tax relief for robotization	Additional deduction from the tax base of 50% of selected costs related to the acquisition and commissioning of industrial works.
Tax relief for CSR (sponsorship)	50% of selected costs incurred to support CSR activities may be deducted from the basis. More information about this tax relief is in the section on PIT.

## PIT (Personal Income Tax)

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

Regarding the nature of PIT obligation, similarly to the rule of incorporation of the enterprise in the case of CIT liability, the personal income tax uses the residence factor. It means that Polish residents are taxed on their total, global income (unlimited tax obligation), whereas non-residents are taxed on income earned in Poland (limited tax obligation).

### PIT rates

In Poland there is a progressive tax scale with two-income thresholds:

Gross income	Tax rate
Less than 120,000 PLN	12% minus the tax-reducing amount
Exceeding 120,000 PLN	10,800 PLN + 32% surplus over 120,000 PLN

Above mentioned amounts do not include tax reductions, which are calculated separately from the tax basis. For more information, please refer to [chapter 5](#).

Since 2019, theoretically, there is a third threshold, added as a consequence of solidarity levy implementation. Solidarity levy applies for natural persons whose income in the previous accounting year will exceed 1 million PLN. In the event of exceeding this amount, the rate will amount to 4% of the surplus over the threshold value.

The tax-reducing amount in 2024 equals 3,600 PLN

There is also a linear method of rate bidding in personal income tax, such as the flat rates:

- 19% – it applies to income obtained from the capital gains and interest, dividends, regarding various income types from business activity, such as sale of virtual currencies, the income of a controlled foreign corporation, disposal against payment of securities, derivatives, immovable property, and also refers to self-employment to a limited extent.
- 20% – apply for non-residents, in cases such as: serving on management or supervisory boards, civil law agreements, entertainment or sports activity, accounting benefits, legal and advisory services, advertising services, license fees or copyrights.

## Choosing PIT taxation form

Prior to starting your business in Poland, every entrepreneur must choose his preferred personal income tax form. Here are your available options:

- standard tax scale 12% and 32% – two thresholds associated with the revenue amount;
- a flat rate of 19%;
- lump-sum from 2% to 17%, depending on the revenue source and company type;
- a tax card (note that from 2022, available only taxpayers who were taxed in this form before 2022 and continue to do so).

The default option is a progressive tax scale. If the taxpayer does not make a choice, this particular form will be assigned to him.



## Residency

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

### Residents

According to provisions, the taxpayer can identify himself as a Polish resident for income tax purposes, when he spends at least 183 days a year, living and working in Poland. The days' requirement is not obligatory if the taxpayer has an active and actual permanent residence permit. It is issued upon formal request, for an indefinite period, by the voivodeship office, if the necessary requirements are met.

Under the law, a permanent residence permit expires as of the date of obtaining by a foreigner of:

- EU long-term resident residence permit, or
- Polish citizenship.

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

### Non-residents

Contrary to the provisions for Polish residents, the non-residents are the people who do not have a valid permanent residence permit or stay and work on the territory of Poland for less than 183 days a year.

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

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

The income accumulated outside of the territory of Poland is a subject to other regulations, i.e. Double Taxation Agreements [DTA] with other countries and withholding tax law.

Remember that, according to the Law on personal income tax, almost every income is covered by the tax liability, and those that are exempted – must be reported to the Tax Office, using the appropriate form.

Note that the Polish Deal amendment, which came into force in January 2022, has introduced a new form of tax relief regarding tax residency. Read more about it in the last paragraph of this chapter.

## Avoiding double taxation

Poland, like other European countries bound by the arrangements of the MLI Convention, is subject to changes in the rules for accounting for foreign income [DDT agreements]. The currently applicable method – the proportional deduction method – means that the Polish PIT payer is obliged to submit a tax return in Poland showing income from work outside the Republic of Poland.

A taxpayer temporarily staying abroad and earning income from work there, after returning to Poland, is obliged to make an advance payment for the PIT income tax. The amount of the advance payment is 17% of income or the appropriate rate according to the tax scale.

A resident-taxpayer, using the new method of proportional deduction, must submit an annual tax return in Poland [PIT-36] with an attachment PIT/ZG. The advances should be paid by the 20th day of the month following the month in which the taxpayer returned to the country.

## PIT submission

Generally speaking, the personal income tax is paid on a monthly basis by the employer of the person who is liable for the obligation. The employer deducts the tax amount from the gross remuneration.

For some time now, almost every PIT declaration can be submitted via e-platform [without a secure electronic signature]. The due date for PIT return submission is fixed and not dependent on the tax year used by the taxpayer. Of course, the tax year must end, before the tax settlement can be submitted.

The return should be submitted to the local Tax Office [personally or online]. By definition, the local Tax Office is the office that governs the territory in which the taxpayer resides.

The PIT form for employers, i.e. PIT-11, must be completed and sent to the appropriate tax office by January 31st each year. Submitting the form via the online platform

as a business entity requires the use of the authorized electronic signature. The next step is the obligation to deliver the PIT-11 to the employees before March 2nd, each year.

## Tax-free allowance

The tax-free amount in Poland is obtainable with PIT-37 and PIT-36 tax settlement forms. It applies only to taxpayers who chose progressive tax scale.

The final value of the allowance amount is also affected by tax reliefs and additional components, such as social security contributions, donations, rehabilitation relief, relief for the Individual Retirement Security Account or relief for research and development.

From 2022, as part of the Polish Deal amendments, the upper limit of tax-free allowance has been raised to 30,000 PLN when qualifying for the first tax threshold [12%].

## Tax-deductible cost

Tax-deductible cost is the costs incurred to provide services, maintain or secure sources of services, except for fees that the legislator mentioned in article 23 of the PIT Act and article 16 of the CIT Act.

Most importantly, the specific expenses can be included in tax-deductible expenses if it was incurred by the taxpayer himself (and that fact is reflected in the accounting, books, invoices). Moreover, the purpose of the cost must be revenue-related, i.e. must directly or indirectly influence the increase of a company's revenue sources. Also, the entrepreneurs should check if the Law does not rule out the specific costs from eligibility.

In the scope of employment, the amendment to the Law on the personal income tax (that brings zero income tax for employees under 26 years old) updated the amounts of tax-deductible costs regarding every type of employment.

The sum of the income exempt from 1) zero income tax for young employees, 2) tax relief for 4+ families, 3) tax relief for return and 4) relief for working seniors may not exceed 85,528 PLN per year.

Employment type	Tax-deductible cost (per year)
A single contract	not more than 3,000 PLN
A single contract, commuters	3,600 PLN
More than one contract	4,500 PLN
More than one contract, commuters	5,400 PLN

In 2022, The Polish Deal amendments have introduced a new category of "costs for the middle class", which modified the limit of 50% of copyright costs and allows the use of 20% by persons performing social and civic duties.

In 2024, the total copyright costs may not exceed 120,000 PLN.

## Zero income tax for young employees

Since August 2019, the law exempting employees under the age of 26 from the obligation to pay personal income tax is in force. The exemption from personal income tax affects income that does not exceed the first threshold amount – 85,528 PLN – and is related to specific forms of employment:

- service relationship,
- employment relationship,
- home-based work,
- commission contracts concluded with a business,
- cooperative work relationship.

The said tax reduction does not cover entrepreneurs.

Note that, regarding the tax return obligation in this matter, the separate PIT declaration form – version 25 – must be used when creating the settlement for employees under the age of 26 years old.



## Tax-reducing amount

The tax-reducing amount deducted in the annual tax calculation depending on the amount of the tax base is as follows:

Basis	Tax-reducing amount
lesser than 30,000 PLN	3,600 PLN
from 30,000 to 120,000 PLN	12% minus 3,600 PLN (tax-reducing amount)
120,000 PLN and above	10,800 PLN plus 32% of the surplus over 120,000 PLN

# Tax reliefs introduced with the Polish Deal (PIT)

The new financial aids, which came into force on January 1st, 2022, are a form of compensation addressed to Polish entrepreneurs due to other regulations which will ultimately increase the costs of running a business.

## Sponsorship tax relief

Available to entrepreneurs when they engage in CSR (Corporate Social Responsibility) activities. The law specifies eligible fields of CSR, such as sports activities, organization of cultural activities, support for higher education and science as well as investing in scholarships.

The costs of CSR activities undertaken can be later deducted from the tax base in the total amount of 150% of the costs incurred.

The relief is available to PIT payers (who obtain income from non-agricultural business activity, the income from which is taxed on general principles according to the tax scale or with a flat-rate) and CIT payers who obtain revenues other than revenues from capital gains.

## Tax relief for return

A Financial relief for taxpayers who transfer their tax residence to Poland. The mechanism behind the relief for return are two benefits available to the taxpayer:

- Temporary exemption of revenues generated in the territory of the Republic of Poland from specific tax obligations.
- The possibility of taxing income obtained abroad in the form of a lump sum, i.e. a fixed amount that does not depend on the actual amount of the income earned.

The relief has an upper amount limit. The taxpayer's income may not exceed 85,528 PLN in the given tax year.

## Tax relief for families 4+

The relief is addressed to people who, in the tax year, regarding at least four children, 1) exercised parental authority, 2) were the legal guardian of a child or 2) was a foster parent based on a court decision, and performed the maintenance obligation towards adult learners, or 4) were a foster parent.

The relief consists of a total PIT exemption for 4+ families. It applies to full-time income, income from mandate contracts concluded with the company and income from non-agricultural business activities. It can be applied to income earned from January 1st, 2022.

The relief is available to PIT payers (who obtain income from non-agricultural business activity, the income from which is taxed on general principles according to the tax scale or with a flat rate) and CIT payers who obtain revenues other than revenues from capital gains.

## Tax relief for working seniors

This relief is available on the same terms as the relief for 4+ families – it also consists in exemption from the obligation to pay PIT tax. However, it is addressed to women aged 60+ and men aged 65+. On condition of gainful employment and not receiving an old-age or survivor's pension from KRUS, old-age or survivor's pension from uniformed insurance systems, old-age or survivor's pension from FUS (despite being entitled to receive them).

# Other tax obligations

Get to know every minor, but equally important tax obligation applicable in Poland



## Individual tax micro accounts

Following the introduction of individual accounts for social insurance contributions in 2019, from January 1st, 2020, each taxpayer in Poland has received a personal tax micro account.

The personal tax account, albeit assigned directly to the taxpayer, is dedicated only for payments of liabilities to the Treasury, including the most important ones: personal income tax, corporate income tax, and value-added tax. Excess [surplus] payments will continue to be repaid to private bank accounts.

The Ministry of Finance has launched a website enabling every taxpayer to easily generate his tax micro account number after providing their Tax Identification Number [NIP] or their Civil Registration Number [PESEL].

## Tax on civil law transactions

Tax on civil law transactions [in Poland abbreviated as PCC] is a tax duty on transactions and legal actions not covered by value-added tax liability [by means of exemption]. According to the law of September 9th, 2000, the tax must be paid whenever the action regarding active contracts, that changes the tax basis, is made. In particular, the loan and mortgage agreements, contracts of sale or exchange, establishing a corporate vehicle, and legal procedures that change said basis are among the subjects of PCC tax.

In the event of identified irregularities, proven by the tax authority or the tax inspection authority in the course of checking activities, the taxpayer is eligible for the 20% rate.

Tax regarding transactions taking place in Poland is calculated and due if the goods covered by the agreement are located in Poland and their buyer resides in Poland. PCC tax rates are predominantly ad valorem or are the subject of a separate agreement between two parties.

The Ministry of Finance lists certain situations with annotation concerning who is obliged to pay the tax:

Type of action	Who pays the PCC tax
contract of sale and exchange of things and property rights	the buyer pays the sale; the parties pay for the conversion
the loan agreement for money or items	the borrower
donation agreement	the recipient
sale of real estate	real estate buyer
agreement on the inheritance [such as division agreements] and agreements on the abolition of joint ownership	the entity purchasing the property or property rights [over its share in the inheritance or joint ownership]
establishment of a mortgage	a person making a declaration of intent to establish a mortgage
establishment of paid users, including incorrect and paid easement	the user or the person purchasing the easement
incorrect deposit agreement	the keeper
company agreement	partners

## Withholding tax and due diligence

Withholding tax (WHT) concerns amounts paid to foreign contractors in the form of dividends, interest, royalties or fees for intangible services. The outside contractor (recipient of payments) is considered a taxpayer, while the company transferring the payment is an actual payer of the tax (as it operates within Poland). The company assumes the responsibility of settling the tax with the tax office.

Starting from 2022, the Pay and Refund mechanism is in force in Poland in the WHT domain. Polish payers who make payments to the same foreign taxpayer above 2 million PLN in a given year are required to collect withholding tax in the amount of 19% or 20%. This rule only applies to payments to a related party and for eligible payments such as interest, royalties, or dividends.

However, the remitter may not collect withholding tax on payments exceeding 2 million PLN, provided that legal persons, organizational units without legal personality and natural persons who are entrepreneurs have a valid opinion on the application of preferences. Or when the payer submits a WH-OSC (CIT) or WH-OSP (PIT) declaration.

When it comes to WHT rates, there are two available depending on your circumstances:

- **19%** as a national overall rate for dividends. It also includes the income from the liquidation of the company and the redemption of shares, excluding the profit from voluntary redemption if this profit is realized by a taxpayer from a non-party to the contract or the contract contains the so-called real estate clause).
- **20%** is the general rate of withholding tax on interest and royalties paid to non-residents and on payments made to non-residents for intangible services. The obligation to collect withholding tax applies to legal entities, organizational units without legal personality and every natural person managing business activity. Each WHT payer should know about the avoidance of double taxation under international agreements and due diligence procedure.

### Due diligence

Income Tax Law informs about the necessity to exercise due diligence in transactions subject to withholding tax. Due diligence determines several actions undertaken by the WHT payer, aimed at minimizing the risk of tax irregularities.

There is no strict and unambiguous definition of due diligence in WHT. The Ministry of Finance proposes several helpful practices and support questions that should be followed to properly exercise due diligence when checking foreign entities.

- Confirm the credibility of the contractor's tax residence (preferably by collecting documentation confirming this).
- Verify the identity of beneficial owners and company owners.
- Collect the documents such as transfer prices, financial flow documentation and audit reports proving the entity's business activity.

#### Support questions:

- What staff, equipment, and resources does the company have?
- Do company directors and board members perform their functions in a service-oriented manner?
- Are the documents regarding the company management signed within the country of its registration?
- Does the company have the possibility of organizing board meetings (at which key decisions are made) in the country of its registration? Do such meetings take place at the entity's headquarters?
- Is the company's registered office address used simultaneously by many entities? If so, how many entities?
- Do the company's decision-makers have local email addresses/local phone numbers?

The set of questions proposed by the Ministry is not a complete guide for due diligence procedures, but only suggestions that can be used voluntarily.

## Customs duties

Customs duties are fees imposed by the country's government on imported goods and products. The purpose of customs duties is to give domestic producers the market advantage over foreign producers. The basis for customs fees is calculated from the value of the product with the addition of costs of transportation and insurance if applied.

The tariff for customs purposes is applied according to internationally accepted Combined Nomenclature [CN], the statistical system of Common Customs Tariff Regulation. The specified code is matched to every product covered by customs obligation.

## Excise duties

Excise duty is a selective and indirect tax imposed on certain groups of imported or locally produced consumer goods or products. The selection of groups covered by excise duties is a subject of the law.

The excise duty rate is included in the retail price of a product that is subject to tax; therefore the buyer of the product should be considered the excise duties' taxpayer. Thus the actual payment of the excise duties is made when the goods are purchased.

Note that from the beginning of 2022, the rates of excise duty have risen by about 10% compared to those previously in force. The higher rate was applied to alcoholic beverages, tobacco products, dried tobacco, and novelty products. The legislator also introduced an excise tax on liquid for electronic cigarettes.

## Property tax for entrepreneurs

The property tax applies to land, buildings, structures or their parts associated with business activities.

The law on Local Taxes and Fees sets the rules for applying tax rates. According to the content, the upper limits of property tax rates fall under annual changes.

They are determined according to the general price level of goods and services index [commonly: inflation] published by Statistics Poland for the first half of the previous year [relatively to the year before the last].

In 2024:

- tax rate on land related to the conduct of business: max 1.34 PLN per 1 m<sup>2</sup>.
- tax rate on land qualified as "other": max 0.71 PLN per 1 m<sup>2</sup>.
- for buildings or their parts used in business activities is max 33.10 PLN per 1 m<sup>2</sup> of the usable area.
- tax rate for buildings intended for health services: max 6.76 PLN per 1 m<sup>2</sup>.

Entrepreneurs residing in Poland are also affected by the taxation on residential properties [not intended for business purposes]. The rate in 2024 is 1.15 PLN per 1 m<sup>2</sup>.

From January 1st, 2022, all land, buildings, and structures in the area of public use airfields, including land that is not occupied by buildings and structures located in this area, are exempt from real estate tax.

## Solidarity levy

Only the wealthiest Poles are eligible to pay this tax obligation [introduced in 2019] – specifically natural persons who earned more than 1,000,000 PLN in the previous financial year. The solidarity levy rate will equal to 4% of the surplus of the said amount.

Taxpayers must check whether they are eligible to pay the levy, as well as calculate its exact amount. To get the calculation basis, one must add the total income for the previous year and reduce it by the following amounts:

- contributions for disability, sickness, and accident insurance,
- dividends from a foreign-controlled company,
- income from a paid resignation from a share in a foreign-controlled company.

CIT payers are excluded from solidarity levy obligations.



## Glossary

Have you ever heard an acronym, but didn't know what it meant? We believe that every entrepreneur starting a new business in Poland needs a handy reference list that makes navigating the Polish law a lot easier. We present to you a glossary of the most commonly used terms and acronyms in Polish business environment.

In Poland	English translation	Acronym
Beneficjent Rzeczywisty	Ultimate Beneficial Owner (UBO)	-
Biała lista aktywnych podatników VAT	White list of active VAT payers	-
Biuletyn Informacji Publicznej	Court and Commercial Gazette	BIP
Centralna Ewidencja Działalności Gospodarczej	Central Registration and Information on Business	CEiDG
Centralny Rejestr Beneficjentów Rzeczywistych	Central Register of Ultimate Beneficial Owners	CRBR
Danina Solidarnościowa	Solidarity levy	-
Elektroniczna Platforma Usług Administracji Publicznej	Electronic Platform of Public Administration Services	ePUAP
Grupy towarowo-usługowe	codes for goods and services in JPK_VAT declaration	GTU
IP Box	regulations concerning tax reductions in research industries	-
Jednolity plik kontrolny	Unified Control File	JPK
Karta podatkowa	Tax Card	-
Karta Polaka	Polish Charter / Polish Card	KP
Krajowa Administracja Skarbowa	National Tax Administration	KAS
Krajowy Rejestr Sądowy	National Court Register	KRS
Metoda podzielonej płatności	Split payment method	MPP
Numer Identyfikacji Podatkowej	Tax Identification Number	NIP
Państwowa Inspekcja Pracy	National Labour Inspectorate	PIP
Polska Klasyfikacja Wyrobów i Usług	Polish Classification of Goods and Services	PKWiU
Powszechny Elektroniczny System Ewidencji Ludności	Universal Electronic System for Registration of the Population	PESEL
Pracownicze Plany Kapitałowe	Employee Capital Plans	PPK
Ogólne rozporządzenie o ochronie danych osobowych	General Data Protection Regulation (GDPR)	RODO
Spółka akcyjna	Joint-stock company	S.A.
Spółka z ograniczoną odpowiedzialnością	Limited liability company	Sp. z o.o.
Urząd skarbowy	Tax office	US
Urząd wojewódzki	Voivodeship office (regional government)	UW
Wewnątrzwspólnotowa dostawa towarów	Intra-community delivery	WDT
Wewnątrzwspólnotowe nabycie towarów	Intra-community purchase	WNT
Wiążąca informacja stawkowa	Binding Rate Information	WIS
Zakład Ubezpieczeń Społecznych	Social Insurance Office	ZUS

