

Further important changes in income taxes and the Polish Tax Code

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In Brief

On 24 August 2018 r., a draft law changing significantly income taxes and the Polish Tax Code was published on the Government Legislation Centre's website. The main purpose of the new regulations will be to simplify the Polish tax law related to income taxes, the introduction of new tax incentives and further development of the anti-avoidance measures. The plan is that the changes will come into force on 1 January 2019.

The main changes aiming at simplifying the regulations and introducing new tax incentives

- **5% preferential PIT and CIT rate** on incomes / gains from intellectual property rights resulting from R&D works (*Innovation Box*);
- **9% preferential CIT rate** for taxpayers with revenues not exceeding EUR 1.2m. in the tax year;
- **deemed deduction** of hypothetical interest (*notional deduction* – maximum of PLN 250ths in the tax year) on equity used for re-investment purposes;
- **new regulations** relating to the purchase of debt portfolio, in particular allowing to recognize the full cost base of acquisition of receivables provided that there is no possibility to recognize losses for tax purposes;

- **withholding tax exemption** for interest and discount obtained by non-residents from Eurobonds;
- **new regulations concerning** virtual currencies trading.

The main changes in anti-avoidance measures

- **introduction of so-called exit tax**, i.e. the tax on transfer of assets abroad or change of tax residency of the taxpayer;
- **introduction of so-called mandatory disclosure rules** i.e. the obligation to notify information on tax schemes to the tax authorities;
- **further anti-avoidance changes** both with respect to General Anti-Avoidance Rule as well as specific anti-avoidance clauses included in income tax regulations;

- **introduction of additional tax liability** in case of tax assessment resulting from anti-avoidance rules;
- **completely new mechanism of settlement of withholding tax in relation to payments exceeding PLN 2 m. per annum for each taxpayer** – generally, the remitter will be obliged to collect withholding tax at the domestic rate. The taxpayer or remitter that incurred the economic cost of tax will be entitled to apply for refund of tax to the tax authorities;
- **further changes in CFC regulations**

What does it mean for me?

The amount and importance of proposed changes will have a significant impact on tax settlements.

Let's talk

In case of any doubts or questions related to the above information please contact one of the persons below:

Rafał Dróbka

Partner

+48 502 18 4994

rafal.drobka@pwc.com

Sławomir Krempa

Partner

+48 519 50 6874

slawomir.krempa@pwc.com

Jan Tokarski

Partner

+48 502 18 4651

jan.tokarski@pwc.com

Rafał Szczotka

Director

+48 519 50 6727

rafal.szczotka@pwc.com

Agata Oktawiec

Director

+48 502 18 4864

agata.oktawiec@pwc.com

Andrzej Zubik

Director

+48 502 18 4689

andrzej.zubik@pwc.com