
Provisions of the simplified APA procedure to be introduced by the end of June 2019

In brief

The Polish Ministry of Finance announced the intention to introduce the simplified APA procedure dedicated strictly to the auxiliary intra-group transactions subject to the tax deductibility limit.

Detailed information

Starting from 1 January 2018, the Polish CIT Act introduced a tax deductibility limit for among others intra-group services (e.g. advisory, management and controlling, data processing, advertising, market research, insurance, guarantees and services of similar nature) and license payments for rights to the selected intangible assets (e.g. trademarks and software).

The limit for the total value of the above costs was set at the level of PLN 3m plus 5% of company's tax EBITDA. The costs of intra-group services or license payments exceeding the limit should be accounted as non-tax deductible,

unless the Advanced Pricing Agreement (APA) was obtained.

Introduction of the tax deductibility limit resulted in a significant increase of the number of APA applications. Thus, the Polish Ministry of Finance (MoF) announced the intention to introduce the simplified APA procedure dedicated strictly to the auxiliary intra-group service transactions (and the purpose of excluding them from the deductibility limit). On March 18th, MoF included the bill covering the simplified APA procedure on the list of legislative works for the second quarter of 2019. The wording of the bill is yet unknown. However, MoF announced that:

- simplification of the APA procedure will consist mainly in reducing the documentation requirements in relation to selected types of low risk transactions;
- the administrative fees due for filing the application under the simplified procedure is likely to be lower than under the currently binding procedure;
- it will be possible to convert the applications submitted under the currently binding APA provisions to the simplified procedure (if certain conditions are met) and in reverse (if the applications

submitted under the simplified procedure will not meet such conditions).

Apart from the simplified APA procedure, the draft

bill covers also changes to other procedures such as mutual agreement procedure (MAP), the currently binding APA provisions (for core transactions) as well as

changes aimed at unification and simplification of the current terms and procedures.

Let's talk:

Piotr Wiewiórka

Partner

+48 502 18 4645

piotr.wiewiorka@pwc.com

Sebastian Lebda

Director

+48 22 7464675

sebastian.lebda@pwc.com

Joanna Kubińska

Director

+48 502 184 882

joanna.kubinska@pwc.com

Piotr Niewiadomski

Senior Manager

+48 519 50 7279

piotr.niewiadomski@pwc.com

Wojciech Cipiński

Senior Manager

+48 519 507 472

wojciech.cipielewski@pl.pwc.com