

Summary of planned changes in PIT from 1st January 2019

November 2018

In brief

On 6 November 2018, the President signed the bill regarding changes to the PIT provisions, which are to come into a force on January, 1st 2019. Taxpayers are awaiting a number of changes. The amendments relate to employers, entrepreneurs and individuals who manage their assets. Below you can find short summary of the most important changes. It should be emphasized that the new provisions are generally applicable to revenues earned in 2019 and in subsequent years.

Changes important from the employers' perspective

Amended PIT provisions provide **shorter deadline for submitting PIT-11 and PIT-8C information to the relevant tax office.**

The tax remitter will be obliged to submit the information by the end of January of the following year, not by the end of February as it was before. However, the deadline for delivery these forms to taxpayers has not been changed. It falls by the end of February of the following year.

Another adopted change relates **to the way of withholding the monthly tax advances.** Until now, the tax advance payment according to higher, 32% tax rate was to be withheld starting from the month following the month in which the taxpayer exceeded the relevant threshold. From January 2019, the tax remitter

is to withhold the tax advance at the rate of 32% already in the month of exceeding the threshold.

Changes important from the taxpayers' perspective

An important change for the taxpayers includes possibility of **completing the tax return forms by the tax authorities.** The taxpayer will have possibility to revise the input data. Such prepared tax return form will be considered as filed within the statutory deadline. This will also reduce the risk of exceeding the deadline for filing.

Moreover, there will be a shorter deadline for refunding the tax overpayment by the tax office resulting from the annual PIT reconciliation for the taxpayers who submit their PIT electronically. The deadline is to be 45 days instead of 3 months.

Another important change concerns the **sale of real estate received by inheritance.** Until now, the law provisions exempted from taxing the sale of real estate property after 5 years from the date of opening the inheritance, which is usually the date of death of the testator. In respect to the new law provisions, 5 year period will be counted from the date of acquisition real estate by the testator. Taxpayer will be also allowed to use the housing allowance for the extended time period. The previous provisions have released income from the sale of real estate under condition that the funds for own housing purposes were spent within two years after the sale. Starting from 1 January 2019, the deadline will be extended to three years. In order to benefit from the exemption, the taxpayer should become the owner of the property.

Another important change is modification of the rules of the possibility of submission joint married tax return after statutory deadline. Currently, spouses who submit their annual PIT form after the deadline lost their right to joint married reconciliation. This situation is changed and this right is not forfeited.

Another important changes were also adopted to the **lump sum tax on registered income**.

The current deadline for submitting annual tax return is the end of January the following year. The novelization provides extension of the deadline to February 15 of the following year. Moreover, the individuals who receive rental income taxed according to the flat rate tax will inform about this fact the tax authorities by making the first tax payment or on the day of submitting the annual tax return, if they receive income only in December.

The amendment also introduces provisions on how to tax the profits from **trading in bitcoins**. Until now, the issue was reason to disputes between taxpayers and the tax authorities. Now the revenues will be treated as capital gains income, also in case of obtaining within one's business activity.

An important change is also the introduction of the **Innovation Box** institution, allowing for preferential taxation of 5% of the income from intellectual property rights, of which the taxpayer is i.a. the owner, co-owner, user or have the rights to use them under a license.

The amendments also provide the possibility of using **a copy of the residence certificate**. The copy should be unambiguous and the total annual payment to a non-resident cannot exceed PLN 10 000 PLN.

An important change is also enforcement of **Solidarity Tax** for the wealthiest taxpayers and **Exit Tax**.

Key changes from entrepreneurs perspective

According to adopted provisions from, starting 1 January 2019 depreciation **limit in terms of cars used for business activity will change**. Current limit amounts to EUR 20 000 and will be increased to PLN 150 000 (electric cars up to PLN 255 000).

Another important changes affect **entrepreneurs who use the car under leasing agreement**.

According to updated provisions from 1 January 2019, it will be possible to include in deductible cost amount of 150 000 PLN or 255 000 PLN in order to electric cars. Moreover, in case of using the car for both private and business purposes the taxpayers will be allowed to include in tax deductible costs 75% of expenses connected with its possession and usage. If car will be used only in business activity, it will be possible to deduct 100% of the costs. In order to take advantage of full deduction it will be necessary to ensure a number of formal conditions including obligation to keeping relevant records.

Other changes

Important changes relates also to general provisions resulting from Ordinance Act. One of significant changes is the removal of the negative premise of the GAAR clause when the tax benefit is less than 100 000 PLN. It means, that from 1 January 2019, tax authorities may verify and challenge any activity regardless the expected value of tax benefit.

Let's talk

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