

# **POLISH TAXATION, VAT & SOCIAL SECURITY SYSTEM:**

## **INCOME TAX:**

An entrepreneur who undertakes a business activity expects to achieve various objectives. The subject matter and scope of business influence its form. Polish regulations allow business to be conducted in a variety of forms:

- a) self-employment
- b) civil partnership
- c) general partnership
- d) limited partnership
- e) limited partnership based on shares
- f) limited liability partnership
- g) limited liability company
- h) joint stock company
- i) branch
- j) agency

In tax terms, the form of business activity listed above may be subject to personal income tax or corporate income tax.

## **Income tax forms**

While deciding which form of business to choose from the list above, one should also consider the tax-related obligations. It may be that the choice of organisational form will be justified by tax savings.

Legal persons and other organisational units that do not have the status of individuals are subject to corporate income tax. Entities that are subject to corporate income tax have no choice when it comes to the tax form or rate. The basic tax rate is 9% on the taxable base from January 2019.

Individuals regardless of the type of business, can then pay income tax according to one of the following schemes:

- a) General Scheme
- b) Flat Rate Scheme
- c) Lump Sum Amount
- d) Fixed amount ("tax card").

The choice of the Personal Income Tax (PIT) scheme should be decided on your individual circumstances.

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What to consider when choosing the PIT scheme:

1. **General Scheme** (Rate 18% progressing to 32% AFTER €30,000)
  - a) Useful if you have expenses that can be deducted
  - b) Other tax reliefs also allowable eg. Child care
  - c) Joint tax return filing allowed.
2. **Flat Rate Scheme** (19%)
  - a) No expense nor any reliefs available.
  - b) Unable to file a joint tax return
3. **Lump Sum Scheme** (Generally 8.5% for airline industry)
  - a) Income cannot exceed €150,000 per year
  - b) No expenses allowed
  - c) Some tax reliefs available
  - d) Unable to file joint tax return
4. **Fixed amount tax card** (Rate set by tax office upon application)
  - a) Fixed rate regardless of income.
  - b) No expenses allowed
  - c) No reliefs available except health insurance contribution
  - d) Unable to file joint tax return

## **VAT REGISTRATION:**

Taxpayers whose annual sales do not exceed €37,500 are exempt from VAT.

Taxpayers whose annual sales do exceed €37,500 must register for VAT and file monthly/quarterly VAT Returns.

Services in international transport sector are zero rates supplies of services.

## **SOCIAL SECURITY:**

Monthly contribution of €150 per month from January 2019 for 3 years in every 5 years. After 3 years regular contribution will return to € 277 (subject to alteration)