

(UN)EXPECTED CHANGES IN CIT

The Polish Government, referring to the optimization structuring schemes set up by taxpayers, is working on amendments to the CIT Act aimed at, as in previous years, tightening the taxation system.

PLANNED CHANGES ON THE GOVERNMENT AGENDA ARE AS FOLLOWS:

- **The tax on the sale of shares in a [real estate company](#)** will be paid by the company itself – and not but its shareholders, as it has been so far
- **Tax substantiality of limited partnerships** limited partnerships with registered offices and management in the territory of the Republic of Poland, so far tax transparent, will pay CIT
- **General partnerships will be taxed with CIT** – if the partners participating in such partnerships are not disclosed
- **Publication of tax policy for selected entities** – may entail additional documentation obligations. The answer to this change may be our newest service - [Tax CMS](#)
- **[Transfer pricing](#) rules to be changed again** – in the announced scope regarding transactions with entities in tax havens
- **Limiting the possibility of recognizing tax losses** for entities after the acquisition of another entity or after receiving a cash contribution or an in-kind contribution of the enterprise / its organized part
- **Liquidations taxed at market value** – extension of the standard catalogue from Art. 14a for the transfer of tangible property by a liquidated company to its partners, which means that the release of the liquidation proceeds in-kind will be equal to its sale (currently administrative courts do not agree with this interpretation).
- **Restrictions on depreciation** – approximation of the rules for determining tax depreciation write-offs to write-offs determined using the accounting method
- **The ratio of limitation in the deductibility of debt financing costs** is to be clarified, it can be presumed that in the direction unfavourable to taxpayers, which has been so far questioned by administrative courts
- **Prolongation of the [minimum tax exemption](#) on rented buildings** – in the event of an extension of the coronavirus pandemic.
- **Limiting the possibility of reducing depreciation rates** when a taxpayer benefits from tax exemption
- **Increasing the current year revenues limit for "small taxpayers"** entitled to apply the reduced 9% rate from EUR 1.2 million of revenues to EUR 2 million of revenues
- **Adjustment of the principles of division into sources of income**, achieved by non-residents, to the standards introduced by the so-called Multilateral Instrument (MLI) and double tax treaties

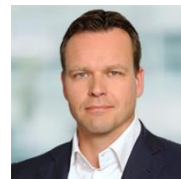
The draft act is currently at the stage of works, on September 4, 2020, information on its main assumptions was published.

This document has been prepared for information purposes only and covers general nature. Before taking any action based on the above information, we recommend that you obtain a valid opinion of TPA experts.

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