



AMENDMENT OF THE CIT ACT AND THE PIT ACT

On 16 September 2020, the Ministry of Finance published a planned draft amendment to the regulations of the PIT Act and CIT Act, as well as the Act on Flat-Rate Income Tax on Certain Revenues Earned by Natural Persons and certain other acts.

The following assumptions are made in the planned amendment:

1. Taxation of limited partnerships and general partnerships with CIT

A. Limited partnerships

To be included in the catalog of entities taxed with CIT. As a result, taxable revenues will arise on the part of the partners at the moment of profit distribution – similarly as in the case of capital companies. This means taxation of profit both at the level of the partnership and at the level of its partners.

However, in such a case, a general partner of a limited partnership taxable with CIT will be covered by regulations allowing the partner to deduct the amount of tax paid by the partnership, proportionally applicable to the general partner's profit obtained from the share in such partnership, from the income tax calculated on the income from their share in the limited partnership's profit.

The draft amendment also provides for introduction of an exemption from taxation of limited partners' profit up to the amount constituting 50% of revenues obtained by a limited partner from the share in the limited partnership's profits, however not more than PLN 60,000 of such revenues earned in the tax year from the share in profits of each limited partnership separately.

B. General partnerships

Taxation with CIT of general partnerships, if their partners include not only natural persons and the general partnership fails to submit information on PIT and CIT taxpayers who have, directly or through entities not being payers of income tax, the right to participate in the partnership's profit.

2. Shifting the tax burden to real estate companies

The draft amendment introduces a definition of a real estate company. Additionally, a real estate company without its seat or management board in the territory of the Republic of Poland will be required to appoint a tax representative. The Act also provides for the imposition on a real estate company of payer's obligations in the event of sale of shares, stocks or all rights and obligations in this company, if at least one of the parties to the transaction is an entity without its registered office or management board in Poland or a natural person not residing in Poland.

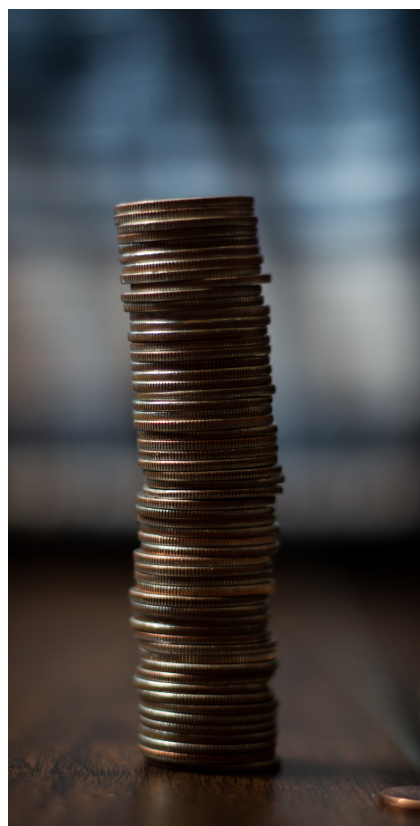
3. Limiting the possibility of settling losses in the case of mergers of companies or acquisition of an enterprise

The draft Act provides for limiting the possibility of settling losses in a situation where the taxpayer having a loss took over another entity or received an in-kind contribution in the form of an enterprise or an organized part of an enterprise, or a cash contribution for which the taxpayer acquired an enterprise or an organized part of an enterprise, if:

- the object of the core business activity actually conducted by the taxpayer after such takeover or acquisition, in whole or in part, was different from the object of the core activity actually conducted by the taxpayer prior to such takeover or acquisition, or
- at least 25% of the taxpayer's shares (stocks) are owned by an entity or entities that did not have such ownership rights as at the end of the tax year in which the taxpayer suffered a loss.

4. CIT taxation of the transfer of liquidation assets to shareholders

The Act provides for extension of the current Article 14a of the CIT Act and covering the transfer of assets to shareholders of a liquidated capital company or a cooperative. The amendment means that taxpayers subject to liquidation must disclose revenues in the amount of the settled liability in the event of an in-kind transfer of the liquidation assets to the shareholders/stockholders.



5. Obligation to publish a report on the implementation of the tax strategy by some CIT taxpayers

The proposed amendment to the regulations of the CIT Act introduces the obligation to prepare and publish a report on the implementation of the tax strategy for a given tax year, which will include such information as summary of transactions with related entities, restructuring activities planned or undertaken by the taxpayer, and on submitted applications for tax interpretations.

The obligation to prepare and publish a report on the implementation of the tax strategy is supposed to apply to:

- tax capital groups, irrespective of the amount of earned revenues;
- taxpayers other than tax capital groups, whose revenues in the tax year exceeded the equivalent of EUR 50 million.

6. Increase in the revenue limit entitling to the application of the 9% CIT rate

The revenue limit entitling to the application of the 9% CIT rate will be increased from EUR 1.2 million to EUR 2 million.

7. Limiting the tax credit to the amount of PLN 1,360

As regards amendments to the PIT Act, the draft provides for the introduction of a tax credit limit of up to PLN 1,360. As specified in the justification of the draft Act, the amendment aims at introducing such regulations so that the tax credit would apply only to the taxpayers with the lowest income.

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Perhaps we can help you?

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