
International Assignment Services

Taxation of International Assignees Country – Poland

Human Resources Services

International Assignment

Taxation Folio



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Additional Country Folios can be located at the following website: www.pwc.com/ias/folios

Introduction – International assignees working in Poland

This booklet was prepared by PricewaterhouseCoopers to provide International assignees assigned to Poland with a general background of Polish tax law and other relevant issues. This booklet is designed to assist both the foreign employee and employer in dealings with their tax planning and social security matters, before arriving in Poland and thereafter.

The booklet is not intended to be a comprehensive guide. It is instead designed to give an overview of the issues involved and identify some of the problems that may arise when an employee is sent to work in Poland. Further advice can be sought from any of the IAS contacts listed at the end of the folio.

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Menu

Step 1 – Understanding basic principles

The scope of taxation in Poland

1. A foreign national sent to work in Poland will, in general, become liable to Polish taxation either as a resident or as a non-resident in Poland. The main tax with which a foreign national will be concerned is personal income tax, which is levied on remuneration, capital gains and real estate income. Other taxes to which such individuals could become liable include inheritance and gift tax, and property tax. In many cases, a foreign national will be subject to the Polish social security system.
2. Taxable income includes revenue derived from:
 - Employment – whether paid in cash or in kind;
 - Trades or businesses;
 - Self-employment and professions;
 - Rents and royalties;
 - Agriculture and forestry; and
 - Investment income.Some of these categories are broadly defined.
3. Residence is the main criteria in determining the extent of Polish taxation.
4. The Polish tax system distinguishes between the taxation of legal persons and the taxation of individuals. Companies are subject to corporate income tax and value added tax. Individuals are subject to individual income tax, gift and inheritance tax, and other minor local taxes, for example, dog tax. In addition, both companies and individuals may be subject to property, agricultural and forest taxes. Individuals conducting their own business activity also may be subject to VAT.

The tax year

5. The Polish tax year is the calendar year from 1 January to 31 December.

Methods of calculating tax

6. The tax system in Poland consists of several types of taxes which include, for example, personal income tax, corporate income tax and VAT. Each tax is levied on different categories of taxable income. Personal income tax is charged on remuneration at progressive rates of 18% and 32%, depending on the amount of income earned. However, by comparable Western standards, the top rate is reached at a very early stage (see Appendix A).

Husband and wife

7. Married taxpayers who are tax residents in Poland may, under some conditions, choose between filing jointly or separately, Polish tax return. The individuals may benefit from joint reconciliation if the following conditions are fulfilled:

- Both remain married during the entire tax year (which is calendar year in Poland), or
- They got married before the beginning of the tax year and one of the spouses died deceased during this tax year or after the end of the tax year but before filing the annual tax reconciliation,
- Both have the joint property co-ownership,
- None of them conducts business activity which is taxed differently than at progressive tax rates up to 32%.

Moreover, taxpayers who are non-resident of Poland have also the right to take benefit from the joint married taxation, however in addition to the above they need to meet the following conditions: (i) they have a place of residence in one of European Union or European Economic Area countries or in Switzerland and they have a tax residency certificate of this country; (ii) at least 75% of their joint worldwide revenue is derived in Poland in a given year.

Generally, it is more advantageous to file jointly if one of the spouses does not derive any income subject to taxation or if his/her income is subject to a lower tax rate than the tax rate applicable to the income derived by his/her spouse.

8. Also a single parent who, throughout a tax year, along lonely brings up a child/children who did not receive any incomes, except the incomes exempt from income tax, family pensions, and incomes in an amount not resulting in the obligation to pay a tax in the tax year, may benefit from joint annual taxation with a child. Furthermore, single parents satisfying the above criteria (i.e. criteria described in point 7 above) having their place of residence in another EU or EEA member state or Switzerland will be able to declare their income jointly with their children's income - under certain conditions.

Residence and domicile

9. The term “place of residence” (in Polish: *miejsce zamieszkania*) is defined in the Polish personal income tax (“PIT”) law. According to the PIT provisions individual will be considered to have a place of residence in Poland (“resident”), if:
 - He/she has centre of his/her personal or economic interest in Poland (i.e., that this person's “centre of vital interests” is located in Poland), or
 - He/she stays on the territory of Poland for a period or periods exceeding in an aggregate 183 days during the given tax year (which in Poland is equal to a calendar year).

However, it should be pointed out that Polish tax provisions determining tax residency should be applied by taking into consideration provisions of applicable double tax treaties concluded by Poland, which are of overriding importance.

An individual who is found to have a place of residence in Poland will be subject to worldwide taxation in Poland (i.e., in accordance with the so-called unlimited tax liability principle). In consequence, not only employment income will be taxed in Poland, but also any other private income derived in Poland or abroad (such as bank interest, dividends, exercise of stock options, rental income), unless international double-taxation treaties limit the right of Poland to tax such income.

Moreover, such a person will not be able to take advantage of the preferential taxation on certain types of income (e.g., board fees, fees paid under the management or personal services contracts). However, such a person, under certain conditions, may benefit from the joint married taxation.

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10. A person who is considered not to have a place of residence in Poland will be subject to Polish taxation on a limited basis, that is, only on income derived for work performed in Poland or from sources located in Poland (any other income derived from non-Polish sources will not be subject to tax in Poland). Moreover, such a person will be able to take advantage of the preferential taxation on certain types of income (e.g., board fees, fees paid under the management or personal services contracts) and under some conditions will be able to benefit from the joint married taxation.

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Step 2 – Understanding the Polish tax system

The taxation of employment income

11. The personal income tax legislation (introduced originally on 1 January 1992) taxes all employment income of an individual including salaries and benefits in cash or in kind. The rates of tax applicable to the employment income are progressive (18% and 32% since 2009) and apply to all residents and non-residents (but limited for non-residents to Polish-source income). See paragraphs 9-10 for discussion on residence.
12. If the employment remuneration is provided under a Polish employment contract, the Polish employer is responsible for withholding and filing taxes on behalf of the employee on a monthly basis. Alternatively, in those instances where individuals working in Poland receive employment compensation based on offshore contracts, Polish taxes are self-assessed by the employees on a monthly basis.
13. Individuals who are not tax residents of Poland will only be subject to income tax in Poland on Polish sourced income (limited tax liability), i.e., only on income derived from work performed in Poland in respect of the employment contract and other Polish source income.

Diplomatic representatives are exempt from taxation on foreign income in Poland provided that they don't hold Polish citizenship and they have no permanent residency status in Poland.

14. Polish tax residents are subject to compulsory taxation on all sources of income regardless of the place or location of their income (unlimited tax liability), i.e., they are taxable on their worldwide income. In order to avoid double taxation of the same income (in Poland and abroad), the appropriate double-tax treaty provisions on avoiding double taxation should be applied.
15. Remuneration for being a director of a Polish company (provided that the remuneration is paid under the appropriate resolution) paid to non-Polish tax residents as well as remuneration received by non-Polish tax residents under the management or personal services contracts is taxed at a preferential flat rate of 20%.
16. Most benefits in kind are subject to income tax. The regulations detailing the monetary value of benefits are vague. However, the following guidelines apply:
 - If goods/services provided to an employee are within the scope of the economic activity of the company, then the value of the goods/services shall be the price of those goods/services as would be charged to ordinary customers of the company.
 - If the subject of the benefit is the service purchased by the employer, then the value of the benefit shall be the purchase price.
 - In the case of the letting of an apartment, the value of the benefit shall be the ordinary letting price of the apartment.
17. The following benefits and sources of income do not impose an income tax liability on the individual:

As paid for, or provided by the employer

- Business trip expenses up to a defined limit;
- Housing provided by employer in specific circumstances up to monthly limit of 500 PLN.

From other sources

- Lottery winnings up to a defined limit;
 - Sums received from insurance payments relating to property and personal insurance;
 - State awards.
18. Income derived from various sources (except from the income which is subject to flat rate taxation) is aggregated for income tax purposes.
19. Deductions/Credits

The aggregated taxable base can be reduced by tax deductions such as:

- Polish employee's social security contributions paid in the given year;
- Donation made to organizations of public benefit (up to the limit) and charitable activity of the church;
- Expenses borne for using the internet (up to the limit);
- Expenses borne for the purpose of rehabilitation;
- Under some conditions there is a possibility in Poland to deduct from a taxable income - obligatory social security contributions paid in another EU or EEA member state or in Switzerland.

Tax due may be reduced by tax relief such as:

- Health insurance contributions paid in the given year in Poland (deductible only up to the limit of 7.75% of gross salary less employee's social security contributions) and under some conditions health contributions paid in another EU or EEA member state or in Switzerland;
- Child allowance of PLN 1,112.04 per child per year (it is available to taxpayers for their minor children, for those under the age of 25 who continue to study or legal guardians living with children as well as for foster families; this deduction is available for every relevant month).

Moreover, tax could be reduced by tax abolition relief, allowing to equalize the difference between the tax costs calculated under the tax credit method of avoidance of double taxation and exemption with progression, under the below conditions:

- Income must be derived in a foreign country or for work performed in a foreign country,
- Tax abolition relief applies only to income derived in the countries where a credit method of avoidance of double taxation is applicable,
- Deduction shall not apply if the income was earned in the countries and territories applying harmful tax competition.

Tax relieves shall also not apply in the case of 20% lump-sum tax.

20. Other reimbursed expenses are generally taxable for an employee. In case of business trips business travel costs can be reimbursed without giving rise to a tax liability. If school fees/home visits are paid for by the employer, then a taxable benefit arises for the employee.

In light of current Polish regulations, international assignees that work in Poland and are subject to Polish taxation only in respect of their employment income are generally no longer obliged to register with the Polish Tax Office and can use PESEL number (i.e. personal identification number) as the identification numbers for tax purposes.

Taxation of investment income and capital gains

21. Specific items of income, such as interest income, dividends and income derived from the sale of land and property, are subject to a special tax regime. These items are taxed separately at a special flat tax rate instead of being added together with other income items at the progressive rates. The following are typical items of income:
 - Interest income;
 - Dividends;
 - Gains received from the sale of certain real estate property.
22. In general, gains on the sale(s) of capital assets are subject to personal income tax unless specifically exempt. Gains arising from the sale(s) of land and real estate property are only subject to tax if the sale(s) takes place within a certain period after acquisition or construction (five years counted from the end of calendar year of purchase or construction – for immovable property and six months from the end of acquisition – for movable property).
23. The personal income tax regulations specify that certain items, such as interest, dividends, income from the sale(s) of land and property bought or constructed after 1 January 2007, income from capital funds, income from sale of shares and stock on foreign markets, will be subject to a 19% flat tax rate (a final tax).

Purchase of land and other property

24. Foreign nationals (non-EU citizens) may apply for a permit from the Minister of Administration and Internal Affairs to purchase land and other property of area up to 0.5 hectare, provided that the individual can prove his ties with Poland (e.g., Polish citizenship/origin, residence/settlement permit, being married to the Polish national, running a business/agricultural activity on the territory of Poland in accordance with the Polish law). EU citizens may purchase land and other property without any restrictions.

The permit is not required if a foreign national has a Polish permanent residence permit for more than five years or if he/she is married to Polish citizen and lives in Poland for more than two years on the basis of a permanent residence permit and real estate that is to be acquired will constitute joint property of husband and wife.

Additionally, such permit is not required if the individual inherits a land or other property from an individual who owned the land/property or was a perpetual resident for at least five years.

Purchase of an apartment does not require obtaining a permit.

The aforementioned conveniences do not regard the border zone and agricultural grounds of area exceeding 1 hectare.

Double-taxation relief

25. For tax purposes, a foreign national may be treated as a resident in his/her home country as well as in Poland. Double-taxation agreements provide rules for determining tax liabilities and ways to avoid double taxation. Poland has double-tax agreements with most European countries. A full list of these countries is set out in Appendix C. Double-taxation treaties always override domestic legislation.
26. Most agreements lay down a test to determine in which of the two countries an individual is resident for treaty purposes. For many agreements, the following criteria are considered (normally in the stated order of priority) in determining the country of residence:

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- Where a permanent home is available;
 - Where the individual has his/her centre of vital interests;
 - Where the individual has an habitual abode; or
 - Where the individual is a citizen.
27. Income from employment is generally taxed in the country where an individual carries out his/her employment duties, unless:
- The individual stays, in aggregate, in that country for less than 183 days in a tax year (or every 12-month-period); and
 - The remuneration is paid by or on behalf of an employer who is not a resident in that country; and
 - The remuneration is not borne by a permanent establishment of the employer in that country.

Social security and health insurance

28. The EU regulations apply to persons whose place of residence and place of performing work are located in at least two different European Union member states. Under the general rule, a person is subject to social security/health insurance in the country where he/she physically performs work, irrespective of whether such a person is compensated under a local or non-Polish contract, unless possesses A1 (previously E 101) certificate confirming social security coverage in other country.
29. The Polish social security contributions are, in principle, split between the employer and the employee. Contributions to pension and disability are limited to an annual cap which is set at 30 times the national average monthly salary estimated for a particular year (for 2012, the cap is set at PLN 105,780). When the employee's remuneration during the year exceeds the cap amount, no pension and disability contributions are due by the employer or by the employee on the employee's gross salary exceeding the cap limit. Contributions to sickness and accident insurance are paid without the capped limit, i.e., on the total gross salary. Moreover, the employer is obliged to make contributions to the Labour and Employee Guaranteed Benefits Fund without a capped limit. Please see Appendix B for specific rates.
30. Liability to contributions may not arise if there is a reciprocal agreement between Poland and the foreign national's country (outside the EU). If there is such an agreement between two countries and certain conditions are met, it is likely that no contributions will be due for a given period. This period can be extended upon application.
31. Social security covers:
- Maternity;
 - Widow's and orphan's pensions;
 - Pension;
 - Sickness;
 - Disability insurance;
 - Death;
 - Unemployment.
32. In case the individuals are appointed as members of the management board of a Polish company, fees paid based on the appropriate resolution of the shareholders' meeting (or other authorized body) and not on the basis of employment contract, would not be subject to obligatory social security contributions and health insurance coverage in Poland, regardless of their tax residential status.

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33. Health insurance contribution in 2012 amounts to 9% of the assessment basis, i.e., gross income decreased by the value of the employee's part of social security contributions. The amount of 7.75% of assessment basis is deducted from the employee's personal income tax liability while the remaining 1.25% is financed from employee's net income. Please note that there is no limit to the amount of assessment basis for healthcare insurance purposes.
34. Health insurance covers:
- Primary health care;
 - Specialist outpatient care;
 - Hospital treatment;
 - Dental treatment;
 - Rescue services and ambulance transport.
35. In the case of self-employed individuals – the contributions for social security and health insurance contributions in Poland can be calculated on the self-declared basis (within certain limits provided by the law).

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Step 3 – What to do before you arrive in Poland

Immigration procedure

36. Individuals who are not Polish or EU, EEA member state or Swiss citizens are generally subject to work and visa/residence permit obligation, regardless of the basis on which they are employed in Poland. The relevant procedure consists of two stages which encompass obtaining the following:

- A work permit;
- A visa with the rights to work (visa D) or a residence permit along with residence card.

The citizens of EU, EEA and Switzerland after 3 months of their stay in Poland are only obliged to obtain a residence registration certificate.

37. The duty to obtain a work permit in Poland for EU citizens was cancelled on the basis of Labour Minister's resolution of 9 January 2007 concerning cancellation of restrictions to working performance of EU citizens in Poland. This resolution has been in effect since 17 January 2007, allowing foreign nationals who are EU citizens to perform work in Poland without any restrictions. Additionally, citizens of Liechtenstein, Norway and Switzerland do not need a Polish work permit, regardless of the basis of employment.

Work permit

In the case of employer located in Poland

38. At the first stage, the Polish company (employer) should obtain an opinion from the Local Labour Office (in Polish: *Powiatowy Urząd Pracy*) confirming that there is no suitable Polish individual available for the offered position registered with the office. This stage takes approximately 14 days. The Polish employer may apply for a work permit for a given individual, after receiving confirmation that there are no appropriate candidates in Poland. The procedure of obtaining the work permit lasts 30 days from the date of submission the complete set of the documents in the Labour Office.

In the case of employer located outside Poland

39. According to the current Polish immigration regulations, the foreign company should apply for the work permit with respect to the employee who will be seconded to perform work in Poland. In such case the opinion from the Local Labour Office is not required. However, the foreign company should indicate the person residing in Poland who will represent the foreign company in front of the Polish immigration authorities (e.g. will respond to some questions, clarify queries but will not sign the documents necessary to obtain the work permit). Besides, it is necessary to confirm the capital connections between the Polish company (for the benefit of which the individual will perform work) and the foreign company (being the formal employer of the individual). If there are no capital ties between the both companies, it is necessary to present a contract concluded between the parties, i.e. between the foreign employer and the alien Polish company for benefit of which the individual will perform his/her work. Some other documents of the foreign entity such as: official corporate/commercial register, are also required.

40. The application should contain, but is not limited to, the following information:

- Basic personal data of the individual;
- The job specification;
- The justification for the position being offered to a particular individual (based especially on qualifications, professional experience of the individual, etc);
- Information on the Polish company structure (supported by appropriate documents).

The application for the work permit should be submitted to the relevant Voivodship Labour Office not later than eight weeks before the intended commencement of the employment in Poland.

41. In order to obtain a work permit, the Polish company should make a payment to the Voivodship Labour Office's account, usually of the amount equal to PLN 100.

In principle, the work permit should be available within three to four weeks from the documents' submission date.

Work visa and residence permit

42. Upon receiving the work permit, the foreign national should apply to the Polish consulate or embassy in his/her country of residence/domicile for a long-term visa with a symbol D. There is no possibility of obtaining the visa initially from Provincial Offices in Poland or a Polish consulate/embassy in a third country. Again, the visa should be arranged for, prior to the foreign national's arrival in Poland. If the foreign national intends to perform work in Poland for the period longer than one year, the employer of the individual should apply for extension of the work permit to the Voivodship Labour Office. However, the concerned foreign national should apply to the Provincial Office for the residence card.

Import of personal possessions

43. Under certain conditions, customs duties are not levied on the import of:

- Property belonging to an individual who intends to stay in Poland only temporarily in relation to an employment, studies, scientific activity or medical treatment (provided two copies of a document which lists these possessions are submitted to the custom authority);
- Household and personal possessions;
- Property for professional use.

Moreover, all items dated before May 1945 (books, painting, furniture, etc.), as well as expensive jewellery, cameras and other such items, should be declared at the point of entry to avoid potential problems when leaving Poland.

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Step 4 – What to do when you arrive in Poland

Extension of stay in Poland – Residence permits

44. Foreign nationals – non-EU citizens – intending to stay in Poland more than 12 months can apply for a permit to temporary reside in Poland (generally, no further visa can be issued by the Polish consulate once an expatriate's stay in Poland reached 12 months). The application for the residence permit should be justified with one or more of the following circumstances:

- Obtaining a work permission from the Labour Office;
- Conducting a business activity;
- Taking up higher education studies;
- Marriage to a Polish citizen or an expatriate having a permit for permanent settlement in Poland.

The permit is issued for a specific period of time, not exceeding two years, with the possibility of renewing it every two years. The card, along with the passport, enables multiple crossings of the Polish border by the expatriate without the need to obtain relevant Polish visas.

EU nationals intending to stay in Poland more than three months should apply for a residence registration certificate. The certificate has no validity date; it is issued for an indefinite period.

The residence permit/residence registration certificate is issued by the municipal authority (in Polish: *Wojewoda*) appropriate for the expatriate's temporary address in Poland.

45. For the purpose of applying for a residence permit/residence registration certificate, the following documents should be submitted:

- Passport;
- Completed application form;
- Letter from an employer supporting the application;
- Proof of temporary address registration in Poland (in Polish: *meldunek*);
- Excerpt from the company commercial register (required solely for management board members, for non-EU citizens only);
- Photographs of the individual (for non-EU citizens only);
- Other documents, depending on local authorities' internal regulations.

Customs clearance

46. Contributions in kind to the share capital of Polish companies if made from outside the EU have to be declared to customs. It is advisable to employ a customs broker (choose one with a registered office in Poland) to settle all formalities with the customs office.

47. If a foreign individual wishes to import his/her own car or other vehicle into Poland from outside the EU the customs duty, import VAT as well as excise tax must be paid. However there is a possibility to decrease

customs duty due on import with use of a temporary admission procedure as well as – under certain conditions – apply for reliefs from customs duties, VAT and excise duty.

Car registration

48. If a car is owned by a company, it must be registered with the Transport Department of the county office dealing with the place of the company's registered office. At least the following documents have to be submitted:
- The original invoice or other deed of title translated into Polish by a licensed translator;
 - The original customs clearance certificate and tax paid certificates - when the car was imported from abroad;
 - The registration card translated into Polish;
 - The valid technical test of the car.
49. A private car or other vehicle must also be registered at the Transport Department of the county office relevant within to the area where your Polish address is located.
50. There is a system of transport insurance within which only OC, i.e., insurance against civil liability, is compulsory. Insurance against other risks includes:
- AC - damage to car;
 - NW - road accidents (comprising driver and passenger).

Driving licenses

51. Foreign and international driving licenses are valid in Poland for six months after entering the country (with some exemptions). During this period, you should apply for a Polish driving license, which will be issued on the basis of a valid foreign license. If a foreign license is restricted in any way, the Polish license will include the same restrictions. EU citizens may use their driving licenses without any limitations.

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Step 5 – What to do at the end of the year

Tax returns

52. Employment income is subject to monthly tax withholding. If you are employed by a Polish company, your employer must pay monthly tax instalments. If you work in Poland on the basis of an offshore employment contract, you are personally responsible for payment of the appropriate monthly tax advances. Monthly tax advances are, in principle, paid by 20 day of a month following the month in which the income was earned. An annual tax return has to be submitted by April 30 following the end of the tax year regardless of the fact whether you were employed by a Polish or an offshore company. The tax return is submitted based on self assessment. However, there is a separate deadline for annual tax settlement of rental income taxed at flat rates which is January 31 of the following year.

Proceedings in tax matters

53. The control of Polish taxation is divided between two departments: fiscal offices which administer and collect tax, and fiscal chambers which deal with appeals against tax liabilities. The tax authorities must review the matter within two months after the appeal is submitted. An appeal generally stops collection of tax (with certain exemptions).
54. If the above procedure is exhausted, a petition against an appeal decision can be made to the Administrative Court. The petition can be made by a taxpayer within 30 days of the final decision and by a prosecutor within six months, even if the proceedings have not been exhausted.

Liability to tax

55. Liability to tax arises on receipt of a demand for tax or when an event which gives rise to a tax liability occurs. Payment must be made within 14 days of receipt of the demand for tax or within deadlines stated by the law.

Delay in payment of tax

56. Delay in payment of tax and tax instalments gives rise to default interest, charged at the rate announced by the Minister of Finance.

Overpayment of tax

57. If a Polish employer submits an annual tax return in respect of an employee (applicable in specific circumstances), an overpayment of tax is used to set off the advance tax payment due in March of the next tax year. If after this month there is still an overpayment, then it is paid back to the employee in cash. If an individual submits an annual tax return directly to the Tax Office, overpaid tax is generally subject to a refund within three months after the submission date.

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Step 6 – What to do when you leave Poland

Reporting your departure

58. A foreign national should inform the Polish tax authorities in the case of his/her departure from Poland and also return the residence card to the Voivodship Office. An employer should deregister the employee from the social security authorities (ZUS, if subject) as well as return his/her work permit to Voivodship Labour Office.

Transferring possessions abroad

59. All personal belongings imported into Poland, without an obligation to obtain an import license, are partially duty-free provided they are returned to your habitual place of abode and the authorization for temporary admission procedure has been granted by the customs authorities. All belongings imported by an individual into Poland can be transferred abroad without restrictions. Most Polish goods may be taken out of the country without restrictions. However some limitations can be applied in destination country with that respect. Therefore it is advisable to check that with the relevant authorities before departure.

Transferring funds abroad

60. A foreigner may transfer funds abroad including:
- Hard currency obtained from foreign bank remittances, checks, traveller's checks and letters of credit;
 - Hard currency brought to Poland according to the foreign exchange certificate issued by the Customs Office;
 - Polish currency exchanged for hard currency, e.g., remuneration;
 - Casino winnings.

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Step 7 – Other matters requiring consideration

Gift and inheritance tax

61. Polish gift and inheritance tax is levied on the value of assets and property rights located in Poland, transferred on death to an heir and on lifetime gifts. Polish gift and inheritance tax may be imposed on assets and property rights located abroad if the heir or donee is a Polish national or is a Polish permanent resident at the time of the transferor's death or when the donation contract is concluded.
62. Non-residents who do not hold Polish citizenship are not obliged to pay gift and inheritance tax if movable property and property rights are inherited or donated on the Polish territory provided that the donor is not a Polish resident and he/she has no Polish citizenship.
63. The following are examples of some of the most common exemptions from gift and inheritance tax:
 - Acquisition of property and property rights by means of inheritance and donation by members of the transferor's/donor's nearest family (e.g., spouse, children, parents, stepparents, brothers and sisters – except for children-in-law and parents-in-law) provided that they meet information requirements described in the Polish gift and inheritance tax law;
 - Acquisition of a farm (except buildings);
 - Acquisition of an enterprise provided that the heir or the donee will maintain it for at least five years in a condition not worse than on the date of receipt.
64. There are some tax-free amounts. The tax-free amounts depend on the character of the personal relationship between the purchaser and the person from whom assets and property rights are acquired.
65. In the case of multiple acquisitions from the same person (within the last five years), the value of all acquisitions is cumulated for gift and inheritance tax calculation purposes, and the total tax is reduced by the amount of tax already paid.
66. Gift and inheritance tax is payable by the donor in case of a gift, and by the heir in case of inheritance. Tax is charged on the fair market value of the gift or inheritance on the day when tax point arises (i.e., when the heir/donee accepts inheritance/donation), less a deduction for any debt or burdens on the amount transferred, that is, the net value. The tax varies according to the relationship with the deceased or the donor.

Property tax

67. Property tax is imposed on the following real properties: buildings, parts of buildings or land not subject to the farming tax or land which, although it could be charged under the farming tax, is used for an economic activity other than farming.
68. Taxpayers liable to property tax are individuals and other entities which are:
 - The owners or independent possessors of buildings;
 - Possessors of buildings which are state-owned;
 - Permanent landholders.

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69. The taxable value of property is defined as follows:
- Buildings - usable area;
 - Construction sites - the initial value of construction;
 - Land - area.

Sale of property

70. Income from sale of immovable property is exempt from taxation if sale is made after 5 years from the end of the calendar year in which it was purchased or built. This, however, does not apply to situation where the sale is made within the scope of business activity.

For the sale of immovable property that was purchased after or on 1 January 2009:

- Sale of immovable property (e.g., a house, an apartment) is also free of tax providing that in two years period since the end of tax year in which the said sale took place the income from sale was spent on own housing purposes stipulated in the provisions of Polish tax law.

For the sale of immovable property that was purchased or built after or on 1 January 2007:

- During the five-year period, sale of immovable property is also exempt from taxation if a taxpayer has a permanent stay registration in a given property for at least 12 months before the sale (provided that appropriate information is supplied to the tax office in a timely manner).

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Appendix A – Rates of income tax

Personal income tax rates

Tax rates applicable to individuals in 2012 are as follows (in PLN):

Taxable income over	Not over	Tax on column 1	Percentage on excess
0	85,528	–	18%
85,528	and above	14,839.02	32%

The tax is calculated as follows:

First tax bracket (taxable income below PLN 85,528): $18\% \times \text{taxable base} - 556.02$

Second tax bracket (taxable income above PLN 85,528): $32\% \times (\text{taxable base} - 85,528) + 14,839.02$

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Appendix B – Rates of social taxes

Rates of social taxes

The following table provides the current types of contribution rates:

Contribution type	Employer share	Employee share	Total
Pension insurance *	9.76%	9.76%	19.52%
Disability insurance *	4.50%/6.50%***	1.50%	6.00%/8.00%***
Sickness insurance		2.45%	2.45%
Accident insurance **	0.67% - 3.33%		0.67% - 3.33%
Guaranteed benefits fund	0.10%		0.10%
Labour fund	2.45%		2.45%
Total - up to limit	17.48%-20.14% (19.48%-22.14%***)	13.71%	31.19%-33.85%/ (33.19%-35.85%***)
Total - past limit	3.22% - 5.88%	2.45%	5.67% - 8.33%
Health insurance****		9.00%	9.00%

* Contributions to pension and disability are limited to an annual cap set at 30 times the national average monthly salary estimated for a particular year (for 2012, the cap is set at PLZ 105,780).

** The accident insurance rate generally depends on the number of employees:

1. Nine or fewer employees — 1.67%.
2. More than nine employees — the rate depends on the type of economic activity and ranges from 0.67% to 3.33%.

*** Effective from 1 February 2012

**** The gross amount reduced by employee share of pension, disability and sickness insurance constitutes the assessment basis to calculate the obligatory health insurance contributions (9% of income), where 7.75% of that amount may be deducted from the tax liability due.

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Appendix C – Double-taxation agreements

Countries with which Poland currently has double-taxation agreements:

Albania	Germany	Malaysia	South Korea
Algeria*	Greece	Malta	Spain
Armenia	Georgia	Mexico	Sri Lanka
Australia	Hungary	Moldavia	Sweden
Austria	Iceland	Morocco	Switzerland
Azerbaijan	India	Mongolia	Syria
Bangladesh	Indonesia	Netherlands	Tajikistan
Belarus	Iran	New Zealand	Thailand
Belgium	Ireland	Nigeria*	Tunisia
Bulgaria	Israel	Norway	Turkey
Canada	Italy	Pakistan	Ukraine
Chile	Japan	Philippines	United Arab Emirates
China	Jordan	Portugal	United Kingdom
Croatia	Kazakhstan	Qatar	United States
Cyprus	Kuwait	Romania	Uruguay*
Czech Republic	Kyrgyzstan	Russia	Uzbekistan
Denmark	Latvia	Serbia	Vietnam
Egypt	Lebanon	Singapore	Yugoslavia
Estonia	Lithuania	Slovakia	Zambia*
Finland	Luxembourg	Slovenia	Zimbabwe
France	Macedonia	South Africa	

*Signed but not entered into force

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Appendix D – Poland contacts and offices

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