

Tax Alert

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The Polish Deal

A Polish Haven? – About the incentives to move to Poland and pay taxes in Poland

1. Lump sum for those moving to Poland

The Polish Deal will introduce a preferential tax regime to encourage high-net-worth individuals to move to Poland.

How will it work?

A person benefiting from the new regime will not pay tax in Poland on income earned outside Poland (except for CFC income) under the general rules. Instead, they will pay a tax lump sum.

The lump sum amounts to PLN 200k (+ PLN 100k for each family member benefiting from the new regime). The amount of the lump sum will be independent of the amount of the actually earned foreign income.

Additionally, a person who chooses lump-sum taxation will have to spend PLN 100k annually on economic growth, the development of science and education, the protection of cultural heritage, or the promotion of sport in Poland.

At the same time, the Polish income of such person will be taxed according to the usual tax rules, i.e. the 17-32% tax-band scale, the 19% flat rate of tax, or a lump sum on registered income.

Who can benefit?

Persons who move to Poland and submit a declaration opting for lump-sum taxation if they have not lived in Poland for at least 5 of the last 6 years before moving to Poland. The children and the spouse of this person may also be taxed using lump sums.

How long can it be used?

Lump-sum taxation can be used for up to 10 years. To opt out of participating in this regime more quickly, you must submit a statement to opt out of the scheme.

2. Relief for those returning to Poland

The draft legislation also introduces an allowance to encourage people who earn their income here to actually settle in Poland and to encourage Poles who left Poland several years ago to return.

How will it work?

A person who wishes to benefit from this allowance will be able to deduct from their PIT an amount of 50% of the PIT due for the previous year according to the following scheme:

Relief application period	Amount of relief
Year 1	50% of the PIT due for the base year, i.e. the year of moving to Poland or the following year (according to taxpayer's choice)
Year 2	50% of PIT for the first year of the application of relief
Year 3	50% of PIT for the second year of the application of relief
Year 4	50% of PIT for the third year of the application of relief

The return relief is tax deductible in the annual tax return. The relief does not affect the amount of tax advances paid during the year.

The relief is available to persons whose income is taxable with PIT in line with the 17-32% tax-band scale or the 19% flat rate of tax.

Who can benefit?

Persons who move to Poland if, for at least 3 years before moving to Poland, they have not lived in Poland and earn income in Poland from:

- an employment contract, a contract of supervised employment, a service relationship, or co-operative employment relationship
- personal services (e.g. a contract of mandate, performing a function in a management or supervisory board, a managerial contract)
- business activity (taxed with PIT in line with the 17-32% tax-band scale or a 19% flat rate of tax)
- property rights in the scope of copyrights and related rights.

How long can it be used?

The return relief can be used for 4 years from the end of the base year, i.e. depending on the choice of the base year for a period of 4-5 years after returning to Poland.

3. Lump sum on undisclosed income

The draft also introduces preferential taxation rules for entities that decide to disclose previously untaxed income to the tax authorities.

How will it work?

A taxpayer or tax agent will be able to apply for lump-sum taxation on income upon which tax has not previously been correctly taxed.

The flat rate of tax is 8%. In the case of lump-sum taxation, no interest on arrears will accrue. The lump sum will have to be paid within 30 days from the date of filing the application. The fee for the application is 1% of the amount of income disclosed in the application; however, this is capped at a maximum of PLN 30k.

In addition, if within a year from submitting the application for lump-sum taxation, the applicant makes an investment with a value equal to at least the income subject to lump-sum taxation and does not withdraw from this investment for a period of at least 12 months, they will be able to reduce the income tax payable in respect of this investment by 30% of the amount of the lump-sum tax paid.

The investment entitling one to the 30% reduction encompasses:

- the acquisition from Polish or EU/EEA entities of fixed assets and intangible and legal assets
- the acquisition from Polish or EEA entities of shares or stocks in companies having a legal personality or other securities
- making contributions to companies having a legal personality.

At the same time, the proposed provisions provide that the entity submitting the application and persons acting on its behalf will avoid fiscal penal liability if the disclosure of this penal fiscal offence took place in connection with the submission of the application with a voluntary disclosure letter.

Who can benefit?

Individuals, legal persons, and organizational units who have earned income in Poland:

- upon which the tax has not been correctly settled, e.g. due to:
 - the failure to disclose such income in full or in part
 - transferring or holding capital in any form outside of Poland

- the application of agreements on the avoidance of double taxation in a manner inconsistent with their purpose
- the incorrect determination of tax residency
- gaining any other tax advantage, including in connection with optimization activities
- which did not arise as a result of committing a criminal offence or penal fiscal offence – unless a voluntary disclosure letter is submitted together with the application for lump-sum taxation
- which, on the date of submission of the application for lump-sum taxation, are not subject to tax proceedings, tax inspection, or customs or fiscal audit.

How long can it be used?

The filing of an application for the lump-sum taxation of undisclosed income will only be permissible between 1 July and 31 December 2022.

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