
CHAMBERS GLOBAL PRACTICE GUIDES

Transfer Pricing 2023

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Poland: Law & Practice

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POLAND

Law and Practice

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1. Rules Governing Transfer Pricing

1.1 Statutes and Regulations

Transfer pricing (TP) rules are set out in Chapter 4b of the Personal Income Tax Act (the “PIT Act”) and Chapter 1a of the Corporate Income Tax Act (the “CIT Act”), and are further developed in executive orders, such as:

- Regulation of the Minister of Finance of 21 December 2018 on transfer pricing for personal income tax;
- Regulation of the Minister of Finance of 21 December 2018 on transfer pricing documentation in the scope of personal income tax;
- Regulation of the Minister of Finance of 21 December 2018 on transfer pricing information in the scope of personal income tax;
- Regulation of the Minister of Finance of 21 December 2018 on the manner and procedure for eliminating double taxation in the case of the adjustment of profits of related parties in the scope of personal income tax;
- Regulation of the Minister of Finance of 21 December 2018 on transfer pricing in the scope of corporate income tax;
- Regulation of the Minister of Finance of 21 December 2018 on transfer pricing documentation in the scope of corporate income tax;

- Regulation of the Minister of Finance of 21 December 2018 on transfer pricing information in the scope of corporate income tax; and
- Regulation of the Minister of Finance of 21 December 2018 on the manner and procedure for eliminating double taxation in the case of adjustment of profits of related parties in the scope of corporate income tax.

In addition, the Ministry of Finance publishes official guidance on a taxpayer’s TP obligations, as well as issues general tax rulings relating to TP, which present a binding interpretation of the law. Moreover, the Ministry of Finance has established the Transfer Pricing Forum, a consultative and advisory panel. This prepares recommendations, opinions, analyses, conclusions and proposals on simplifying and tightening the functioning of the TP tax system. Although the opinions of the Forum are not binding law, nor guidance, they provide practical explanations to taxpayers. Similarly, the current OECD TP Guidelines are not part of Polish tax law; however, they are treated as soft law.

1.2 Current Regime and Recent Changes

TP regulations were first introduced into the Polish tax system in 1992. The major changes were made in 2017 when benchmarking studies became mandatory elements of TP documentation. However, the most complex regulations were introduced in 2019, when a dedicated chapter on TP was introduced in the CIT and PIT Acts. The main trigger for changes was the aim of tightening up the tax system. The provisions enacted at that time remain in force in largely the same formula to this day.

2. Definition of Control/Related Parties

2.1 Application of Transfer Pricing Rules

TP rules apply to all transactions between associated entities, as well as to transactions with entities (or foreign establishments) from the so-called tax haven countries (even if the parties are not associated).

Polish tax law covers a wide definition of associated entities. Accordingly, a relationship between parties occurs when:

- an entity exercises a significant influence on the other entity;
- a significant influence on both entities is exercised by the same other entity or the spouse or a relative by consanguinity or affinity up to the second degree of a natural person exercising a significant influence on at least one entity;
- a partnership/limited partnership/general partnership without a legal personality is established; or
- a permanent establishment is created.

The exercise of a significant influence is understood as:

- holding, directly or indirectly, at least 25% of the shares in the capital or voting rights in the supervisory, decision-making or managing bodies, or shares in or rights to participate in the profits or property or their expectative, including participation units and investment certificates; and
- being the spouse or a relative by consanguinity or by affinity up to the second degree.

However, significant influence is also defined in a more flexible manner, and includes the ability of a natural person to influence key economic decisions taken by a taxpayer.

A controlled transaction is defined as an activity of an economic nature identified on the basis of the actual conduct of the parties, including the attribution of income to a foreign permanent establishment, the terms of which have been established or imposed as a result of the relationship. Such broad definition of controlled transactions includes, for example, mergers, demergers or in-kind contributions.

3. Methods and Method Selection and Application

3.1 Transfer Pricing Methods

TP regulations specify the following five pricing methods that may be used by tax authorities and taxpayers to verify whether the controlled transaction is in line with the arm's length principle:

- the comparable uncontrolled price method;
- the resale price method;
- the cost plus method;
- the transactional net margin method; or

- the profit split method.

3.2 Unspecified Methods

Transfer prices should be verified using the method that is most appropriate under the given circumstances. Where it is impossible to use the methods referred to in **3.1 Transfer Pricing Methods**, another method that is more appropriate under the given circumstances, including a valuation technique, may be used. Where choosing a method other than those previously specified, the taxpayer is obliged to justify the fact that none of them can be regarded as the most appropriate.

3.3 Hierarchy of Methods

There is no official hierarchy of methods, and the method most appropriate in the given circumstances should be used.

3.4 Ranges and Statistical Measures

There are no specific provisions that require ranges or statistical measures to be used with the arm's length assessment. There are voluntary safe harbour provisions that are based on the ranges. It is, however, common to apply the median or interquartile range.

3.5 Comparability Adjustments

The application of a comparability adjustment is required if it increases the reliability and credibility of the comparability analysis – namely, if it ensures a higher degree of comparability between the given transaction and the business profiles/transactions carried out by unrelated parties than in the case where no adjustment has been applied (ie, in the case where differences have a significant impact on the comparability of the transaction).

4. Intangibles

4.1 Notable Rules

Poland has specific rules relating to transactions involving intangibles, which implement the DEM-PE concept. They require that the comparability test must include an assessment of the ability of the parties to the transaction to perform a given function and bear a given risk in terms of:

- holding the title to the intangible asset, and protecting and maintaining it;
- the creation of intangible assets, including their development;
- the development of intangible assets, including their enhancement; and
- the use of intangible assets.

Moreover, where a taxpayer is obliged to prepare a master file, this should include a specific description of the material intangible assets of the group.

4.2 Hard-to-Value Intangibles

The standard TP rules are also modified in the case of transactions involving hard-to-value intangibles. Namely, it is required that the comparability test should include an assessment as to the following.

- Whether unrelated parties in comparable circumstances:
 - (a) would have recalculated the amount of the originally agreed price based on a contractual price variation clause;
 - (b) would have renegotiated the originally agreed terms, including the price of the subject matter of the transaction; or
 - (c) would accept contingent payments to settle a comparable transaction.
- Whether all circumstances foreseeable by the related party affecting the transfer price

were taken into account when conducting the transfer price forecast at the date of the transaction.

4.3 Cost Sharing/Cost Contribution Arrangements

The cost sharing/cost contribution arrangements are recognised and accepted following the OECD TP guidelines. However, no special rules apply to such arrangements.

5. Affirmative Adjustments

5.1 Rules on Affirmative Transfer Pricing Adjustments

Polish regulations allow the taxpayer to make TP adjustments after filing a tax return. The taxpayer may make an adjustment if the following conditions are met jointly:

- the conditions of a controlled transaction carried out during the tax year were established as they would be determined by unrelated entities;
- a change in the significant circumstances of a transaction affected the conditions established during the tax year, or the actual costs incurred or revenues obtained, which are the basis for calculating the transfer price, and the adjustment is required to ensure their compliance with the conditions set by unrelated entities;
- at the time of making the adjustment, the taxpayer has a statement from an affiliated entity or an accounting document confirming that this entity made a TP adjustment in the same amount as the taxpayer; and
- there is a legal basis for the exchange of tax information with the country where the affiliated entity has its place of residence, its

registered office or where its management board exists.

Moreover, a TP adjustment is only possible if no tax investigations are initiated. The right to tax correction is suspended for the periods of a tax audit, tax proceedings or a custom fiscal audit, and is restored within specified time limits.

6. Cross-Border Information Sharing

6.1 Sharing Taxpayer Information

Poland has a growing number of instruments allowing it to exchange information with or gather information from other jurisdictions. Exchange of information with other jurisdictions' tax authorities may be automatic, spontaneous or upon request, and may occur under the following instruments:

- double tax treaties (treaties with 88 countries, and a total result of 99 treaties, which include provisions for information exchange between tax authorities);
- bilateral tax information exchange agreements (treaties with 15 countries, including the FATCA treaty with the USA);
- the OECD's Common Reporting Standard (CRS); and
- EU Directives – eg, Council Directive (EU) 2018/822 of 25 May 2018 (DAC-6), Council Directive (EU) 2011/16/EU of 15 February 2011 (EURO-FATCA), Council Directive (EU) 2014/107/EU, Council Directive (EU) 2010/24/UE of 16 March 2010, Council Directive (EU) 2016/881/UE (country-by-country reporting).

7. Advance Pricing Agreements (APAs)

7.1 Programmes Allowing for Rulings Regarding Transfer Pricing

Poland has an advance pricing agreements (APA) programme for unilateral, bilateral and multilateral APA rulings. The past few years have seen a significant increase in the number of APAs being concluded, the vast majority of which are unilateral APAs. Between 2006 and 2022, 297 APAs were issued, of which 101 were in 2021 and 98 were in 2022.

7.2 Administration of Programmes

The APA programme in Poland is administered by the Head of the National Revenue Administration, which not only issues APAs, but also declares changes, expiries and revocations of APAs, as well as conducts tax audits regarding APAs. Unilateral APAs are issued by the Head independently, while bilateral or multilateral APAs that involve foreign controlled entities are issued by the Head in agreement with the competent foreign authority/authorities.

7.3 Co-ordination Between the APA Process and Mutual Agreement Procedures

The submission of a MAP application does not interfere with the submission of an APA application – ie, both procedures can run in parallel in Poland. However, a taxpayer can have one meeting with the tax authority on both issues, which may contribute to more efficient conducting of both procedures.

7.4 Limits on Taxpayers/Transactions Eligible for an APA

APAs are limited to Polish domestic entities or non-Polish entities which intend to establish a domestic affiliated entity conducting business

activity in Poland. Moreover, not all transactions are eligible for APAs. Namely, APAs cannot be issued in respect of controlled transactions:

- completed before the APA application; or
- commenced before the APA application, which, on the date of submission of the application, are subject to tax proceedings/tax audits or proceedings before an administrative court for the period of any of the last two tax years of the applicant preceding the tax year of the APA application's submission.

7.5 APA Application Deadlines

An APA application must be filed before the commencement or completion of the controlled transaction. The application for APA renewal must be submitted no earlier than 12 months before the expiry of the APA term, and no later than six months after the expiry of the APA term.

7.6 APA User Fees

The APA application is subject to an administrative fee amounting to 1% of the value of the transaction subject to the agreement. However, depending on the type of agreement, the fee range is as follows.

- For a unilateral APA:
 - (a) concerning only domestic entities – PLN5,000 to PLN50,000; and
 - (b) concerning foreign entities – PLN20,000 to PLN100,000.
- For a bilateral or multilateral agreement – PLN50,000 to PLN200,000.
- For an extending APA – half the fee due for the initial APA application.

7.7 Duration of APA Cover

An APA can be issued for a maximum of five fiscal years and always expires at the end of the applicant's fiscal year. If the key elements of the

APA do not significantly change, the APA may be renewed for further periods not exceeding five fiscal years.

7.8 Retroactive Effect for APAs

The APA may be effective from the beginning of the applicant's fiscal year in which the APA application was filed.

8. Penalties and Documentation

8.1 Transfer Pricing Penalties and Defences

Polish legislation provides a wide range of penalties for irregularities in TP that may have both a financial and criminal burden.

- If the terms and conditions of a transaction between affiliated parties differ from those between independent entities, the taxpayer's income and the income tax due are reassessed. The taxpayer should then pay the understated tax due with penalty interest on tax arrears.
- If income tax is reassessed, the tax authorities apply an additional sanction in a range of between 10% and 30% of the reassessed income or loss.
- Fiscal penal liability may be attributed to individuals who conduct the economic and, in particular, financial affairs of the taxpayer. Furthermore, non-compliance with TP regulations may cover several criminal acts – for example, failure to disclose an object of taxation or tax base, tax fraud, accounting procedure infringements, or violation of the provisions on the TP documentation. Committing a fiscal criminal act may result in the imposition of a pecuniary fine or even imprisonment. In practice, imprisonment is a theoretical pos-

sibility rather than a likely prospect, except in cases of very serious economic crime.

Once the tax is reassessed, the taxpayer may defend themselves against penalties in a tax litigation process before the second instance authority and courts. However, to prevent such disputes, the taxpayer should comply with TP provisions – ie, by ensuring that their transactions are performed at arm's length and are well documented with statutory TP documentation. This requires preparing benchmarking analysis and updating it regularly.

8.2 Taxpayer Obligations Under the OECD Transfer Pricing Guidelines

Poland has introduced a tripartite approach to TP documentation and reporting TP information to the tax authorities, following the OECD TP Guidelines. This means that, depending on a taxpayer's situation (meeting certain thresholds), a taxpayer may be obliged to prepare a local file, a master file or a country-by-country report (CbCR):

- the local file documentation obligation applies to the largest number of taxpayers, as it essentially depends on the value of the transaction itself (PLN10 million for financial and commodity transactions or PLN2 million for other transactions – thresholds for transactions with so-called tax havens are lower);
- the master file documentation is required for entities obliged to prepare consolidated financial statements (using the full or proportionate method), whose consolidated revenues exceed PLN200 million; and
- a CbCR is required if consolidated group revenues exceed PLN3.25 billion (where the capital group prepares consolidated financial statements in Polish złoty) or EUR750 million (in other cases).

9. Alignment With OECD Transfer Pricing Guidelines

9.1 Alignment and Differences

The Polish transfer pricing rules generally follow the OECD TP Guidelines, with some exceptions. In particular, there are some differences in how the concepts of non-recognition, business restructuring or hard-to-value intangibles (HTVI) have been defined. Furthermore, there are differences as to the scope of TP documentation.

9.2 Arm's Length Principle

Generally, Polish TP rules do not depart from the arm's length principle. However, some very specific transactions are excluded from the TP rules (and the arm's length principle) – eg, transactions with statutorily imposed prices.

9.3 Impact of the Base Erosion and Profit Shifting (BEPS) Project

Poland is at the forefront of the implementation of the OECD's BEPS project. In particular, the already implemented provisions concern:

- the non-recognition criterion under which tax authorities could disregard a transaction or replace it with an alternative transaction;
- the DEMPE concept;
- HTVI; and
- business restructurings.

9.4 Impact of BEPS 2.0

Poland actively participates in work on BEPS 2.0 initiatives. Once work on the two Pillars is completed, proposed changes are expected to be implemented in Poland.

9.5 Entities Bearing the Risk of Another Entity's Operations

Generally, Poland has not implemented any specific regulations permitting one entity to bear the

risk of another entity's operations by guaranteeing the other entity a return. In general, Polish TP regulations require proper allocation of risks of a transaction and taking into account its economic substance.

10. Relevance of the United Nations Practical Manual on Transfer Pricing

10.1 Impact of UN Practical Manual on Transfer Pricing

TP regulations in Poland do not rely on or make reference to the United Nations Practical Manual on Transfer Pricing.

11. Safe Harbours or Other Unique Rules

11.1 Transfer Pricing Safe Harbours

In Poland, safe harbour regulations may be applied voluntarily by a taxpayer for two categories of transactions – ie, low-value-added services, and loans, credits and bonds.

- Low-value-added services – the safe harbour regulations may be applied to transactions concerning services which are:
 - (a) of a supportive nature;
 - (b) are not part of the core business activity of the group;
 - (c) supplied by the service provider to unrelated parties and where the value of the services does not exceed 2% of their value to the related and unrelated parties; and
 - (d) not subject to resale by the recipient of the service.

The regulations present a simplified billing approach which may be applied to transactions in which the mark-up on the cost of services has been determined using the cost plus method or the transactional net margin method. The allowable mark-up has been set at 5%, which corresponds to the recommendations of the OECD TP Guidelines and the conclusions of the EU Joint Transfer Pricing Forum.

- Loans, credits and bonds – the safe harbour regulations may be applied to transactions concerning loans, credits and/or bonds:
 - (a) which provide no fees other than interest;
 - (b) which were granted for a period not longer than five years;
 - (c) where the total level of liabilities or receivables of the affiliated entity arising from the principal amount of loans with affiliated entities, calculated separately for granted and taken loans, does not exceed PLN20 million; and
 - (d) where the lender is not an entity from a so-called tax haven.

The safe harbour regulations require setting the interest rate in accordance with a Minister of Finance announcement.

Under Polish safe harbour regulations, a local file (and benchmarking analysis) is not required. However, the transaction must still be reported via a TP tax return (TPR-C, TPR-P) to the tax authorities.

Safe harbours concerning loans, credits and bond issues are also subject to reporting obligations under Polish regulations implementing DAC6.

11.2 Rules on Savings Arising From Operating in the Jurisdiction

Poland does not provide for specific rules governing savings arising from operating in Poland.

11.3 Unique Transfer Pricing Rules or Practices

Poland has not established unique rules or practices applicable in the transfer pricing context that depart from the OECD Model.

12. Co-ordination With Customs Valuation

12.1 Co-ordination Requirements Between Transfer Pricing and Customs Valuation

There are no specific rules requiring co-ordination between transfer pricing and customs valuation.

13. Controversy Process

13.1 Options and Requirements in Transfer Pricing Controversies

Under Polish tax law, there is no specific controversy process for TP matters. There are three types of tax investigation that may be applied to verify taxpayers' TP compliance: a tax audit, a customs and fiscal audit, and tax proceedings.

- Tax audit – the outcome of a tax audit is the tax authority protocol which may confirm the correctness of a taxpayer's settlements or their reassessment. If the tax audit indicates some irregularities, after the delivery of the protocol, the taxpayer may agree with the tax authority and correct their tax settlements and tax return; or make reservations and clarifications to the protocol within 14 days of

its delivery. The tax authority is then obliged to review these within the next 14 days. A tax audit that has ended in a dispute between the tax authority and the taxpayer usually continues in the form of tax proceedings. The tax reassessed during the tax audit does not create a taxpayer's liability, so the taxpayer does not have to pay the tax at this stage of the dispute.

- Customs and fiscal audit – this results in the delivery of the audit's findings. Similar to the tax audit, the taxpayer has the right to correct their tax settlements and tax returns within 14 days of the audit's delivery. If irregularities were indicated during the audit and the taxpayer did not correct their tax settlements and tax returns, the audit investigation transforms into tax proceedings. The tax proceedings are then continued by customs and fiscal offices in line with the scheme described in the tax proceedings point below. The tax reassessed during the customs and fiscal audit is not the taxpayer's liability so it does not have to be paid at this stage of the dispute.
- Tax proceedings – their main aim is to settle the case by issuing a pertinent decision. In most cases, tax proceedings are initiated by the tax authority when the tax audit or the customs and fiscal audit reveal irregularities. Tax proceedings are a two-instance procedure. The first ends with a decision that may be subject to appeal by the taxpayer. In the event of an appeal, the second instance tax authority examines the whole case anew and settles the case with a further decision, which is final and enforceable. However, this decision may still be challenged by lodging a complaint with the voivodeship administrative court (see below). Filing a complaint to the court does not suspend the enforceability of

the decision (the reassessed tax should be paid at this stage of the dispute).

After lodging a complaint against the tax authority's decision, the trial is started. There is no specialised court for transfer pricing cases in Poland. The court proceedings are run by voivodeship administrative courts in accordance with their territorial jurisdictions. In examining the tax authority's decision, the court's main task is to check whether the decision was taken in accordance with the law, both in terms of substantive and procedural provisions. The administrative court may dismiss the complaint or overturn a decision fully or partially. The administrative court's decision may be appealed by the taxpayer or the tax authority to the Supreme Administrative Court, whose judgment is final.

If a taxpayer obtains a favourable judgment, the tax, penalty interest, and additional sanctioning tax paid due to the incorrect tax authority decision are returned with interest.

14. Judicial Precedent

14.1 Judicial Precedent on Transfer Pricing

Judicial precedents do not constitute binding law in Poland. They do, however, have the dimension of an interpretative guideline. As the TP rules are among the youngest tax fields in Polish legislation and local tax authorities are not well specialised in transfer pricing, judicial precedent is at the beginning of its development.

Namely, most precedents concern cases in which tax rulings answered the questions of whether a taxpayer has a specific TP obligation or whether a specific kind of transaction is subject to TP documentation. However, given

the legislative approach to sealing the Polish tax system, the increasing number of TP responsibilities and the increasing focus on TP by the tax authorities, the number of TP cases and the importance of court precedents will increase in the coming years.

14.2 Significant Court Rulings

The most significant cases in TP matters are the following.

- Judgment of the Voivodeship Administrative Court in Poznań, Ref No I SA/Po 360/22, 1 July 2022 – in this case, the court confirmed that the non-recognition and DEMPE concepts may not be used for transactions completed before these concepts were introduced to Polish law in 2019.
- Judgment of the Voivodeship Administrative Court in Warsaw, Ref No III SA/Wa 910/20, 26 November 2020 – in this case, the court confirmed that the tax authorities may not disregard the value of liabilities of a real estate company when assessing the arm's length value of the company.
- Judgment of the Supreme Administrative Court, Ref No II FSK 1665/16, 20 June 2018 – in this case, the Supreme Administrative Court confirmed that the comparability analysis carried out by the tax office may not be based on information that is not publicly available. In the past, the tax authorities often used confidential information obtained in tax proceedings as evidence against the transfer pricing method applied by another taxpayer.
- Judgment of the Supreme Administrative Court, Ref No II FSK 4000/13, 8 March 2016 – in this case, the Supreme Administrative Court confirmed that the meaning of “transaction” under TP rules is synonymous with the term “agreement”. Therefore, TP rules apply to in-kind contributions to the com-

pany, acquisitions of shares, or share capital increases between affiliated entities.

- Judgment of the Supreme Administrative Court, Ref No II FSK 3050/19, 29 June 2022 – in this case, the Supreme Administrative Court confirmed that the comparability analysis should include analysis of information concerning the party, its business environment, the functions it performs, the assets it engages with, and the risks it incurs. Namely, the analysis should take into account the specifics of the particular transaction.
- Judgment of the Voivodeship Administrative Court in Bydgoszcz, Ref No I SA/Bd 30/22, 22 March 2022 – in this case, the court confirmed that the voluntary redemption of shares without consideration does not constitute a controlled transaction within the meaning of the TP regulations. The judgment indicates that the redemption of shares (with or without compensation) is an activity that can only take place in the company's relationship with the shareholder. Thus, it is not possible to relate the terms of this transaction to market conditions. In the case of redemption of shares without consideration, there is no specified price, and such transaction cannot be equated with a purchase or sale transaction.

15. Foreign Payment Restrictions

15.1 Restrictions on Outbound Payments Relating to Uncontrolled Transactions

The TP regulations in Poland do not restrict outbound payments relating to uncontrolled transactions. However, some outbound payments such as royalties, interest or intangible services may be subject to Polish withholding tax (WHT) unless an exemption or relief is available.

15.2 Restrictions on Outbound Payments Relating to Controlled Transactions

There are no restrictions in Polish TP regulations on outbound payments related to controlled transactions. However, some outbound payments such as royalties, interest or intangible services may be subject to Polish withholding tax (WHT) unless an exemption or relief is available.

15.3 Effects of Other Countries' Legal Restrictions

There are no specific provisions regarding the effects of other countries' legal restrictions.

16. Transparency and Confidentiality

16.1 Publication of Information on APAs or Transfer Pricing Audit Outcomes

APAs or TP audit outcomes are not published due to tax secrecy binding tax authorities. The information that may be published by tax authorities by way of public information is purely statistical. According to statistics:

- during the first half of 2022, the tax authorities carried out 186 TP tax audits and reassessed PLN850 million of income;
- in 2021, the tax authorities carried out 355 TP tax audits and reassessed PLN780 million of income and PLN170 million of corporate income tax; and
- in 2020, the tax authorities carried out 381 TP tax audits and reassessed PLN1.32 billion of income and PLN380 million of corporate income tax.

The most frequently detected irregularities concerned the valuation of intangible assets and restructuring.

16.2 Use of "Secret Comparables"

"Secret comparables" obtained from other taxpayers' tax filings or audits may not be used to conduct TP benchmarking in Poland.

17. COVID-19

17.1 Impact of COVID-19 on Transfer Pricing

The COVID-19 pandemic has not significantly affected TP regulations in Poland as the relevant legislative changes were only introduced to facilitate the documentation and reporting obligations during pandemic periods.

However, following the OECD guidance on transfer pricing during COVID-19, the Polish Minister of Finance published a collection of best practices for the pandemic-affected periods on the following matters:

- comparability analysis in the COVID-19 period;
- allocation of extraordinary costs associated with COVID-19 between affiliated parties to the transaction;
- the impact of anti-crisis support on controlled transactions;
- TP documentation for the COVID-19 period;
- TP adjustments; and
- the impact of COVID-19 on APAs.

In general, the collection of best practices indicates that the COVID-19 pandemic itself has not necessarily affected the comparability or terms of transactions (or their transfer pricing). Similarly, all APAs issued prior to the COVID-19

pandemic remain valid, according to their period of validity. The impact of COVID-19 should however be assessed, and in cases where it is significant it should be addressed to ensure the transaction is still arm's length.

17.2 Government Response

Due to the COVID-19 pandemic, the Polish government has extended the deadlines for fulfilling certain documentation and reporting obligations, as well as expanding the scope of exceptions to the local file documentation obligations.

17.3 Progress of Audits

At the beginning of the COVID-19 pandemic, there was a drop in the activity of the tax authorities regarding tax audits, which manifested in a decrease in the number of audits conducted in 2020 and an increase in the prolongation of audits started before the outbreak of COVID-19. Currently, the performance of the tax authorities and the duration of tax audits have returned to the states they were in before the outbreak of the COVID-19 pandemic.

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