

Profits subject to CIT

What profits they should pay company tax on

 13.12.2021

Taxable amount

The subject of taxation is the sum of incomes from all sources of revenue (capital gains and others).

In special cases, the subject of taxation may be revenue (e.g. from dividends).

In the case of CIT, sources of revenue include:

- **capital gains** – including dividends, other revenues actually obtained from participation in profits of legal persons and partnerships limited by shares, the value of assets obtained following the liquidation of a legal person or a partnership limited by shares, revenues from the disposal of shares in companies, revenues from the disposal of receivables previously purchased by the taxable person, revenues from property rights such as copyrights or related property rights, licences, trademarks and know-how, revenues from securities and derivative financial instruments, and revenues from the disposal of the entirety of rights and obligations in a partnership;
- **other revenues** – including revenues from the sale of goods and assets and the supply of services, etc.

Standard CIT rates

The basic CIT rates are as follows:

- **19%** of the tax base,
- **9%** of the tax base.

You may benefit from the reduced tax rate of 9% if you:

- start business activity and the revenues in the fiscal year in which you applied the reduced tax rate did not exceed the PLN equivalent of **EUR 1 200 000**;
- continue to run business activity and meet the following two revenue-related criteria:
 - you are a small taxpayer – gross sales revenues (together with due VAT) in the previous fiscal year did not exceed the PLN equivalent of **EUR 2 000 000**, and

- your revenues in the fiscal year in which you applied the reduced rate did not exceed the PLN equivalent of **EUR 1 200 000**.

In certain cases involving conversions and contributions in kind, the 9% tax rate cannot be applied.

Other CIT rates

1. You will pay tax on revenues from buildings if you own or co-own a building located in Poland and you rent/lease that building for use under a rent/lease agreement or another similar agreement.

The tax rate is 0.035% of the sum of initial values of all buildings, reduced PLN 10 000 000 per month.

2. You will pay tax on income from shares in controlled foreign companies (CFCs) if you have the status of a resident in Poland and earn income from the activities carried out by these corporations.

The tax rate is 19% of the taxable amount.

3. The rate of tax on incomes from qualified intellectual property rights -IP Box (upon meeting statutory requirements) is 5% of the taxable base.

You will pay the reduced 5% tax rate from incomes derived from qualified intellectual property rights (IP Box) created, developed or improved by the taxpayer as a part of his R&D activity.

Qualified intellectual property rights include:

- a. patents,
 - b. protection rights for utility models,
 - c. rights from registration of industrial designs,
 - d. rights from registration of topographies of semiconductor products,
 - e. additional protection rights for patents for medicinal products or plant protection products,
 - f. rights from registration of authorised medicinal products and veterinary medicinal products,
 - g. the exclusive right referred to in the Act on legal protection of plant varieties,
 - h. copyrights of computer programs.
4. You will pay tax on income from unrealised profits (exit tax) if you:
 - a. transfer an asset outside Poland, as a result of which Poland loses, in whole or in part, the right to tax income from the disposal of this asset,
 - b. change tax residency, as a result of which Poland loses, in whole or in part, the right to tax income from the disposal of an asset that you own in connection with the transfer of your registered office or place of management to another country.

The tax rate is 19% of the taxable base.

5. Tax on dividends received and other revenues (incomes) from participation in profits of legal persons having their registered office or place of management in Poland concerns, inter alia, revenues (incomes) from dividends, other revenues actually obtained from participation in profits of legal persons and partnerships limited by shares, the value of assets obtained following the liquidation of a legal person or a partnership limited by shares, and revenues obtained as a result of conversions, mergers or divisions of entities.

The tax rate is 19% of the taxable amount.

6. If you have the status of a non-resident (you do not have your registered office or place of management in Poland), the rate of the tax on revenues earned in Poland is as follows:

a. 20% for revenues from, inter alia:

- interest, copyrights or related rights, and the use of or the right to use industrial equipment, including means of transport, commercial or scientific equipment, and information related to experience gained in the field of industry, commerce or science (know-how),
- fees for services provided in the field of performing arts, entertainment or sports,
- advisory services, accounting services, market research services, legal services, advertising services, management and control services, data processing services, the recruitment of employees and acquisition of personnel, the provision of guarantees and sureties, and similar services;

b. 10% for revenues from, inter alia:

- charges for the export of goods and passengers by foreign maritime shipping companies,
- services provided by foreign air shipping companies.

In certain cases, you do not have to pay the tax in Poland or you may pay it at the reduced rate. Please read the relevant double taxation agreement to find out where to pay CIT and what amount of tax to pay.

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