

## VAT exemptions

Specific information about VAT exemptions: exemptions from paying, products and services exempt, exemptions for small companies

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- [When a business is exempt from paying VAT](#)
- [What products/services are exempt from VAT](#)
- [Whether VAT exemptions exist for small companies and, if so, what the thresholds are](#)

### When a business is exempt from paying VAT

#### VAT exemption

- Regardless of the value of sales, if you carry out only VAT-exempt transactions (e.g. services such as foreign language teaching, rental of residential property for housing purposes only, granting of credits or cash loans) – **transaction-based exemption**.
- If the total value of your sales did not exceed PLN 200 000 in the previous fiscal year and will not exceed this threshold in the year concerned, and if you start a business during the year, will not exceed a threshold determined in proportion to the period in which business activities are carried out in the fiscal year, and you wish to benefit from tax exemption – so-called **personal exemption**.

Sale is:

- the supply of goods and services for consideration within Poland,
- the export of goods, and
- the intra-European Union supply of goods.

#### Threshold for personal exemption from VAT

You do not include in the value of sales:

- the intra-European Union supply of goods, distance selling from Poland and distance selling within Poland;
- the supply of goods and services subject to transaction-based exemption from VAT for consideration, except for:
  - real estate transactions,

- certain services (e.g. transactions concerning currency, bank notes and coins used as legal tender, the management of investment funds, the granting of credits or cash loans, the granting of sureties, guarantees and any other securities for financial and insurance transactions, money deposit services, the maintenance of cash accounts, all forms of payment transactions, money orders and money transfers, debts, cheques and bills of exchange, services related to shares in companies, services related to financial instruments, as well as intermediation in the supply of some of these services),
- insurance services

unless these transactions are ancillary transactions;

- the sale of fixed assets and depreciable intangible assets.

## Loss of the right to personal exemption from VAT

You will lose the right to so-called personal exemption once you exceed the threshold.

## Benefitting from personal exemption from VAT again

If you lost the right to personal exemption from VAT or waived this right, you may benefit from the exemption again. However, you may do so after a full calendar year of being an active taxable person for VAT purposes (i.e. from the end of the year when you lost the right to the exemption or waived it), provided that the total value of your sales did not exceed PLN 200 000 in the previous fiscal year. You do not include the VAT amount in the value of sales. You may select the exemption at the beginning of each month. You must report the change on a VAT-R form (as an update of data) within 7 days from the date when you select personal exemption from VAT.

## When you may benefit from personal exemption from VAT

You cannot benefit from so-called personal exemption from VAT if:

- regardless of the value of sales if:
  - **you supply:**
    1. the goods listed in Annex 12 to the VAT Act, i.e. articles (scrap) of precious metals or with an admixture of these metals,
    2. goods subject to excise duty, except for:
      - electricity (CN 2716 00 00),
      - tobacco products,
      - passenger cars other than those listed in point (e), regarded as depreciable fixed assets,
    3. buildings, civil engineering works or parts thereof in the cases referred to in Article 43(1)(10)(a) and (b) of the VAT Act (i.e. when the supply is made within the framework of the first occupation or before the first occupation, or the

period between the first occupation and the supply of a building, a civil engineering work or parts thereof is less than 2 years),

4. building land,

5. new means of transport,

6. the following goods in connection with the conclusion of a contract as part of an organised scheme for the conclusion of distance contracts, without the simultaneous physical presence of the parties, with the exclusive use of one or more means of distance communication up to and including the time at which the contract is concluded:

- beauty and toilet preparations (PKWiU 20.42.1),
- computers, electronic and optical goods (PKWiU 26),
- electrical equipment and non-electric domestic appliances (PKWiU 27),
- machinery and equipment n.e.c. (PKWiU 28),

7. wholesale and retail, parts for:

- motor vehicles (PKWiU 45.3),
- motorcycles (PKWiU 45.4);

◦ **you provide:**

- legal services,
- advisory services, except for farm advisory services related to plant cultivation and breeding, and animal production, as well as to the preparation of development and modernisation plans for agricultural holdings,
- jewellery services,
- debt recovery services, including factoring services

◦ **your place of business is not located in Poland.**

## What products/services are exempt from VAT

### Exemptions from VAT

Goods and services exempt from VAT include:

- transactions, including intermediation, relating to currencies, banknotes and coins used as a legal tender, excluding leasing, factoring or consultancy,
- services of management of, among others, investment funds, insurance capital funds, open retirement pension funds, excluding leasing, factoring or consultancy,
- insurance and reinsurance services, including intermediation and excluding leasing, factoring or consultancy,
- services connected with granting of credits or money loans, including intermediation,

- services connected with the granting of guarantees and any other security for financial and insurance transactions, including intermediation and excluding leasing, factoring or consultancy,
- services relating to depositing cash means, operating financial accounts, all kinds of money transactions, including intermediation and excluding leasing, factoring or consultancy,
- services, including intermediation services, the object of which are shares or interests in companies and associations and excluding leasing, factoring or consultancy,
- the supply of investment gold,
- specific medical services (i.a. hospital and medical care),
- the supply of services by dental technicians in their professional capacity and the supply of dental prostheses or artificial teeth by dentists and dental technicians,
- the supply of human organs, blood and milk,
- medical transport services,
- certain educational services (e.g. foreign language teaching),
- specific social work services,
- certain care services for children and young people, persons with disabilities, persons suffering from chronic diseases and older persons,
- certain cultural and sporting services or physical education,
- certain charity activities,
- gambling subject to the provisions of gambling regulations
- the rental or leasing of residential property for housing purposes only,
- residential property management services on a contract basis,
- the sale of a building (premises) after 2 years from the first occupation,
- the supply of land which has not been built over other than building land,
- the lease of land intended for agricultural purposes,
- the supply by flat-rate farmers of agricultural products resulting from their own agricultural activities and the supply of agricultural services by flat-rate farmers.

## **Whether VAT exemptions exist for small companies and, if so, what the thresholds are**

### **VAT exemptions for small enterprises**

You may benefit from VAT exemption if the total value of your sales did not exceed PLN 200 000 in the previous fiscal year and will not exceed this threshold in the year concerned, and if you start a business during the year, will not exceed a threshold determined in proportion to the period in which business activities are carried out in the fiscal year, and you wish to benefit from tax exemption – so-called **personal exemption**.

## When you cannot benefit from personal exemption from VAT

You cannot benefit from personal exemption from VAT if regardless of the value of sales if:

### 1. you supply:

- a. the goods listed in Annex 12 to the VAT Act, i.e. articles (scrap) of precious metals or with an admixture of these metals,
- b. goods subject to excise duty, except for:
  - electricity (CN 2716 00 00),
  - tobacco products,
  - passenger cars other than those listed in point (e), regarded as depreciable fixed assets,
- c. buildings, civil engineering works or parts thereof in the cases referred to in Article 43(1)(10)(a) and (b) of the VAT Act (i.e. when the supply is made within the framework of the first occupation or before the first occupation, or the period between the first occupation and the supply of a building, a civil engineering work or parts thereof is less than 2 years),
- d. building land,
- e. new means of transport,
- f. the following goods in connection with the conclusion of a contract as part of an organised scheme for the conclusion of distance contracts, without the simultaneous physical presence of the parties, with the exclusive use of one or more means of distance communication up to and including the time at which the contract is concluded:
  - beauty and toilet preparations (PKWiU 20.42.1),
  - computers, electronic and optical goods (PKWiU 26),
  - electrical equipment and non-electric domestic appliances (PKWiU 27),
  - machinery and equipment n.e.c. (PKWiU 28),
- g. wholesale and retail, parts for:
  - motor vehicles (PKWiU 45.3),
  - motorcycles (PKWiU 45.4);

### 2. you provide:

- a. legal services,
- b. advisory services, except for farm advisory services related to plant cultivation and breeding, and animal production, as well as to the preparation of development and modernisation plans for agricultural holdings,
- c. jewellery services,
- d. debt recovery services, including factoring services;

### 3. your place of business is not located in Poland.



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