

POLISH PROPERTY TAX INFORMATION

The information provided herein is intended as a guide only. While Property Tax International Limited makes every effort to ensure the accuracy of the information we take no responsibility or liability for any inaccurate, delayed or incomplete information, nor for any actions taken in reliance thereon.

Non-residents are taxed in Poland on income arising from Polish sources only and are liable to a number of other property related taxes outlined below.

An individual is considered resident in Poland if s/he spends 183 days or more in any tax year (calendar year) in Poland. Non-residents may also be liable for tax on the same source of income in their home country of residence, where taxes are levied on worldwide income. Relief for double taxation may apply.

Since joining the EU, restrictions for Non-residents to buy property in Poland have softened. No official permission from the Home Office is required except for Agricultural land/forest (purchased within 12 years of joining the EU) or for buying a second house (within 5 years of joining the EU).

Tax Identification Number

Non residents in Poland, who are liable to pay certain taxes, must apply for a Polish NIP or Tax ID number. Foreigners, who are considered residents for tax purposes in Poland, need to apply for a card of temporary residence.

Owners of rental property in Poland, who are non resident there, are liable to pay taxes in Poland and must apply for a Polish NIP or Tax ID number.

An Individual is considered non-resident in Poland if s/he does not spend 183 days or more in any tax year (calendar year) in Poland or does not have their primary residence there.

Taxes payable when purchasing a property are as follows:

Transfer fees (Civil Law Activities Tax) are charged on property which is not subject to VAT @ 2% of the market value of the property. Transfer fees are applicable on the sale of second-hand properties.

Polish VAT on buildings is charged by registered companies @ 22% (effective from 2008). Before 01.01.2008 the tax rate was 7%. However, the increase of the tax rate relates only to houses over 300sqm and apartments over 150sqm. For instance: a flat of 160sqm – 150sqm will be charged 7 % and additional 10sqm with 22%. For second-hand houses and land, a property becomes second hand 5 years after being built. Second- hand properties are exempt from VAT. There is only one exemption to this rule: if the seller is VAT registered, owns a second hand property and invested over 30% of the property value in order to improve the property, then 22% VAT is charged.

Ongoing property taxes payable in Poland are as follows:

The rate of tax is calculated using one of two tax methods:

1. Scaled rates 18%-32% as at January 1st 2009 (19%-40% for 2008) on rental profits after costs; or
2. Reduced rates 8.5% or 20% on gross rental income, with no deductions for costs.

Polish Rental Income Tax return must be filed on a annual basis, however monthly payments (if first method used) or monthly or quarterly payments (if second method used) must be transferred to the tax office by January 31st.

Polish Income Tax Deadline depends on the method of payment:

- ❖ Progressive scale method - payable by 30th April (monthly installments in by 20th day of the month)
- ❖ Fixed rate method - payable by 31st January (monthly or quarterly installments in by 20th day of the month)

Polish Corporate Income Tax @ 19% is charged on company profits after allowable costs, if you purchase property in Poland using a Polish company.

Local Polish Property taxes (rates) are also payable quarterly and vary per location. Rates range between 0.33 PLN – 0.68PLN per sq. mtr (circ €0.09 - €0.17/sq.mtr).

Other applicable taxes are as follows:

Polish Capital Gains Tax (CGT) on sale of property is charged @ 19% of the gain after costs (effective for properties purchased after Jan 1st 2007). For properties purchased before December 31st 2006, Polish CGT is payable @ 10% of the sale price less sale expenses. Properties, which have been owned for more than 5 years, are exempt from this tax.

Polish Inheritance Tax (IHT) Non-residents in Poland are subject to IHT and Donations Tax on assets located in Poland. The applicable tax depends on the relationship between the deceased/donor and the beneficiary. The taxation is scaled with rates ranging between 7% and 20% of the inherited amount after tax-free allowances.

Worldwide income

Rental income received in Poland will first have to be declared before the **Polish tax** authorities. You may be liable to declare this income within your resident tax return.

If resident in the UK or Ireland you will have to declare any income received in Poland in your annual resident tax return. There is a double taxation agreement between Poland, Ireland and the UK so double taxation relief applies in some cases. Please contact us for further details regarding double taxation relief and/or filing your Resident Tax Return.

CONTACT: Property Tax International can organize the completion and filing of all necessary Polish tax returns in addition to advising on your property tax obligations in your home country:

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