

Poland's tax legislation to mitigate economic impact of COVID-19 enters into force

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Executive summary

On 31 March 2020, the Polish Parliament adopted measures to support the economy in response to the COVID-19 impact. The legislation enters into force on 31 March, the day of adoption. The adopted tax measures focus on deferring payment of certain taxes and postponing several previously planned changes to the tax law.

Additionally, subsidies to finance part of employment costs will be provided to the companies that meet certain conditions.

Detailed discussion

The adopted actions cover, among others, such areas as labor law, social security regulations and various tax provisions. The Act introduces a number of provisions intended for entrepreneurs so that they can maintain financial liquidity. In terms of payroll subsidies:

- ▶ Entrepreneurs are able to obtain support in funding employees' salaries during the period of economic downtime if they experience a decrease in sales (several conditions apply).
- ▶ There is no maximum threshold on the total amount of possible funding per employer (it depends on a number of employees and other conditions).
- ▶ Applications can be submitted as of 1 April 2020.

The measures related to taxation cover the following:

- ▶ The deadline for submitting the corporate income tax return (CIT-8) is postponed until 31 May 2020.
- ▶ The deadline for preparing the financial statements for 2019 is deferred.
- ▶ The deadline for personal income tax (PIT) remitters to pay advance payments on salaries for March and April to the tax office is postponed until 1 June 2020.
- ▶ The deadline for so-called "large enterprises" to file new JPK_V7M forms (SAF that is to replace monthly value-added tax returns) is postponed until 1 July 2020.
- ▶ The deadline for submitting ORD-U forms is postponed to the fifth month following the tax year for which they are submitted.
- ▶ The deadline for submitting IFT-2R is postponed until the end of the fifth month of the year following the tax year in which the payments subject to withholding tax (also if exempt) are made.
- ▶ MDR reporting on tax schemes is suspended until the end of the epidemic, but no later than 30 June 2020.
- ▶ Applications to the Central Register of Real Beneficiaries are deferred until 13 July 2020.
- ▶ Payment of "minimum tax" on leased buildings due for March, April and May 2020 is deferred until 20 July 2020.
- ▶ The time to file notification related to transferring funds to an account not included on the Ministry's "white list" is extended to 14 days (instead of 3 days).
- ▶ The submission of TP information is postponed until 30 September 2020.
- ▶ Donations to specific organizations involved in actions to mitigate the effects of COVID-19 will be tax deductible (donations made between 1 January and 30 April 2020 - 200%; in May 2020 - 150%; from 1 June until 30 September 2020 - 100%).
- ▶ Tax losses for 2020 can be carried back and deducted (up to approx US\$1.25m) against taxable profit for 2019, if the taxpayer's revenue in 2020 dropped at least by 50% (applicable to PIT and corporate income tax - CIT).
- ▶ So-called "small taxpayers" may resign from simplified tax advances (calculated based on annual tax payable in the previous tax year) and pay monthly advances based on an actual year-to-date profit from March until December 2020 (applies to PIT and CIT) - for other taxpayers it should be possible to apply for the same measure based on existing rules, but subject to discretionary decision of the tax authorities.
- ▶ "Bad debt relief," which obliged debtors to treat as taxable revenues the liabilities which they first recognized as deductible but did not settle within a given period of time, are suspended.
- ▶ Deadlines for issuing tax rulings can also be extended over the statutory three months.

It is important to note that some of the adopted measures which defer deadlines for certain tax obligations require actions from taxpayers and filing of particular motions with appropriate justification.

Future Alerts will report on new developments in this area.

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