

Polish local minimum income tax will apply from 1 January 2024.

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From 1 January 2024, the minimum corporate income tax provisions will take effect again.

The 10% minimum tax will apply to companies with Polish tax residency and domestic tax capital groups that in the tax year:

- suffered a loss from a source of income other than capital gains or
- achieved less than 2% of profit as a proportion of non-capital gains income from a source of income other than capital gains to the respective profit.

The tax regulations provide **special rules for determining the loss for minimum tax purposes**, which means that an accounting loss does not necessarily result in minimum taxation.

Importantly, tax simulations from a few years ago may no longer correspond to the rules that have changed from 1 January 2023. As part of the amendment, the calculation of the loss and profitability level has been modified. The catalogue of entities excluded from minimum taxation has also been expanded.

Taxpayers with a tax year other than the calendar year will start to apply the minimum tax provisions from the tax year beginning after 31 December 2023.

Tax base

The tax base, in a nutshell, will be 1,5% of income from so-called operating activities, with numerous exclusions and deductions. In order to apply these, it is important, among other things, to correctly identify the related parties and transactions with them.

Which entities will pay the minimum tax?

The minimum tax may burden companies in industries with low profitability or temporary losses, i.e.:

- ✓ HORECA,
- ✓ transport,
- ✓ real estate,
- ✓ manufacturing,
- ✓ processing,
- ✓ wholesale and retail trade,
- ✓ construction.

Whether a loss or profit of less than 2% was in line with the arm's length principle is irrelevant.

MDDP will provide you with full support in accounting for minimum tax, combining the experience of our experts in corporate tax, transfer pricing and accounting.

How can we help?

- ✓ Preparation for the calculation of the minimum tax, among other things, through training for capital groups (including entities with extensive company structures) financial managers and employees - we already have experience in organizing such trainings for our Clients.
- ✓ Determine the applicability of minimum tax exemptions, including related-party provisions.
- ✓ Calculation and support in calculating loss and profitability for minimum tax purposes.
- ✓ Analyze whether the group charges incurred affect the minimum tax base.
- ✓ Calculation of the tax base and the minimum tax itself, taking into account statutory deductions.
- ✓ The detailed identification of related parties, together with the preparation of an appropriate procedure ready for implementation in the organization and a checklist that will show in a simple manner how to correctly identify relationships. We also offer a related parties test and an assessment of individual cases.
- ✓ Support in all ongoing concerns related to the minimum tax.

If you are interested in the impact of the above regulations on your business, please contact:

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