

A NEW TAX ON COMMERCIAL REAL ESTATE TO BE INTRODUCED IN POLAND

A NEW TAX IN POLAND – DRAFT BILL BEING CONSIDERED BY PARLIAMENT

In early October a draft bill introducing a tax on certain types of commercial real estate was submitted by the Ministry of Finance to Parliament for consideration. This new tax may increase the financial burdens of entrepreneurs operating in the real estate sector in Poland.

WHAT WILL BE TAXED?

As the new tax will actually be imposed on the value of real estate located in Poland, the fact that provisions regulating it are introduced to income tax acts may be confusing. The new tax will be imposed, with certain exemptions, on:

- office buildings,
- trade and service buildings, such as, e.g., shopping centers, department stores, stand-alone stores and boutiques, etc.

Buildings will be taxed if their initial value exceeds PLN 10 mln (approx. EUR 2.36 mln) and only the excess over PLN 10 mln (approx. EUR 2.36 mln) will be subject to taxation.

HOW MUCH IS TO BE PAID?

Currently, the proposed tax rate is 0.42% p.a. To illustrate, according to the proposed rules, an office building having initial value PLN 30 mln (approx. EUR 7.08 mln) will create a tax obligation amounting to PLN 84k p.a. (approx. EUR 20k).

It is important to note that it will be possible to deduct the amount due for the new tax from the amount of income tax payable. This means that taxpayers generating sufficient amounts of income against which the new tax may be deducted will not experience an overall increase in their tax burden.

WHEN WILL THE NEW LAW COME INTO FORCE?

It is expected that the new law will come into force on January 1, 2018.

However, the draft contains current wording that may raise doubts concerning its compliance with Polish constitutional law (specifically, potential infringement of the principle of equality) and EU law (potential infringement of regulations regarding protection of competition). The draft is subject to Parliamentary proceedings and it is likely its final wording will differ from the current version.

We will keep you updated with any further developments.

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