

**PLANS IN PLACE TO REDUCE CIT RATE FOR SMALL AND NEW BUSINESSES
AS OF 1 JAN 2017**

On 10 Feb 2016, a group of MPs submitted to the Polish *Sejm* (lower chamber of Parliament) a legislative proposal to amend the Corporate Income Tax Act. One of the proposed changes is to reduce the CIT rate from 19% to 15% for eligible taxpayers.

The lower rate would apply to taxpayers who meet the following requirements:

- their annual net turnover on sale of goods and services and on financial operations in previous tax year did not exceed the PLN equivalent of EUR 10 million, or
- regardless of their turnover, they started in business in the current tax year except if they emerged as a result of:
 - corporate conversion (reregistration), merger or division of taxpayers, or
 - conversion of a partnership, or
 - incorporation by natural persons whose contribution of capital to the newly incorporated entity involved any business conducted by the persons before or any assets of such business.

According to the proposed law, the new rate of 15% would not apply in specifically enumerated cases of flat-rate taxation, including the 10% or 20% tax.

In addition to rate changes, the proposal seeks to increase the safe harbour threshold for expensing of tangible property (from PLN 3,500 to PLN 10,000) and to extend the loss carry-forward period from 5 tax years to 15 tax years.

According to the draft, the new law, if enacted, would become effective on 1 January 2017. As the Parliament has barely started processing the proposal, it is currently hard to predict the ultimate shape of the new law. We will keep you up-to-date with further legislative work on it.

If this issue pertains to your business and you are interested in our assistance, please contact your WTS&SAJA consultant or our office.

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