

NO WITHHOLDING TAX ON PLANE TICKETS

We wish to draw your attention to a legislative proposal ("Proposal") by the Ministry of Development to amend the Corporate Income Tax Act ("CIA") and the Personal Income Tax ("PITA") Act in order to abolish the 10% withholding tax on purchases of plane tickets from foreign carriers.

Under the law now in force (Article 29(1)(4) PITA and Article 21(4) CITA), businesses, including sole traders, are required to withhold and remit a 10% tax on payments made to foreign air carriers. A reduced tax rate or exemption under a double tax treaty is available only if the Polish payer has a current certificate of tax residence of the foreign carrier.

In accordance with the Proposal, no withholding tax will apply to income of foreign air carriers which they derive from scheduled passenger flights the use of which requires passengers to have air tickets.

As stated in the explanatory memorandum supporting the Proposal, this change was necessitated by the practical difficulties befalling Polish businesses which try to enforce certificates of residence from foreign carriers and are unable to deduct the tax from the price of the ticket. In effect, not infrequently it is the Polish payer that bears the economic burden of the withholding tax applied to tickets he purchases from foreign carriers.

The proposed changes would become effective 14 days after the new law is published. The Proposal has been submitted to the Permanent Committee of the Council of Ministers for consideration.

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

Doradztwo Podatkowe WTS&SAJA Sp. z o.o.

Delta Building, 4th floor
ul. Towarowa 35
61-896 Poznań
tel. (+48) 61 643 45 50
fax. (+48) 61 643 45 51

Warsaw Office

CENTRAL Tower, 22nd floor
Al. Jerozolimskie 81
02-001 Warszawa

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