

POLAND – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Poland.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Poland, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you;

- Income taxes
- Value added tax (VAT)

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

INCOME TAX

Where you earn income in Poland, it is likely that you will be required to pay a percentage of the tax on this income to the Polish tax authority. Below is a brief outline of the tax that may arise on income earned from short-term lettings in Poland and some information on how this tax can be paid over to the Polish tax authorities.

Poland's tax year runs from 1 January to 31 December.

Polish income tax rates.

Short-term rental income is generally treated as rental income and taxed under the general rules. However, this income can also be classified as business income by the tax authorities and taxed under the appropriate rates (please see "Polish rules applicable to income earned in relation to short-term lettings" below for clarification between rental income and income classified as business income).

The tax rates applicable depend on which category your income falls into:

- 18% and 32% - taxation according to the general rules, where income is treated as rental income;
- 19% - for business profits if you applied for a flat tax rate and the rental income is qualified as income earned from a business activity (due to the fact that such activity can be described as organised, professional and continuous);
- 8.5% and 12.5% - for lump sum taxation (if the taxpayer applied for these rules).

Coming within the charge to income tax in Poland.

Under flat tax rate of business income (19%) and lump sum tax for rental income (8.5% and 12.5%), there are no tax free amounts. Therefore, once you are in receipt of this type of income you will fall within the charge to tax in Poland.

Under general tax rules (18% and 32%), once the income exceeds 3,089PLN you will be required to pay the first tax advance by the 20th day of the month following the month the income exceeded the threshold.

Please note that in the annual tax return the tax-free amount depends on the total income of the taxpayer subject to taxation under general rules.

Reporting tax in Poland.

An annual tax return can be submitted online via [eDeklaracje](#) program or as a Pre-filled Return. You can also submit your tax return in hard copy format by post, or by presenting personally at your tax office.

Reporting tax - filing deadline.

The deadline for filing tax returns and paying associated liabilities falls on 30 April of the year following the year of earning income e.g. for the 2018 tax year the deadline for filing and payment of liabilities will be 30 April 2019.

For lump sum taxation of rental income (8,5% and 12,5%) the deadline falls on 31 January of the year following the year of earning income e.g. 2018 tax return due on 31 January 2019.

Polish Tax Authority contact details.

There is no one tax authority designed to be contacted in individual cases. You must contact your local tax office. If you are resident in Poland your local tax office is dependent on where you actually reside. If you are a non-resident individual the location of your tax office is dictated by the location of your property.

More general information regarding your taxes can be found on the following [website](#).

Polish rules applicable to income earned in relation to short-term lettings.

As outlined above, short-term rental income is generally treated as rental income and taxed under the general rules (subject to the 18% or 32% tax rate).

It may be also taxed under the lump sum taxation option at 8.5% and 12.5% if you choose to apply for this rule. Lump sum taxation may be chosen by all taxpayers unless their income has been classified as income received from the business activity. If you want to choose the lump sum taxation option this must be done by 20 January of the given year (or 20th day of the month following the month the first rental income was received – if you start to rent out a property during the year).

However, in some cases the tax authorities may classify the short-term rental income as business profits - an income obtained from a business activity, on the basis of frequency, regularity, repeatability and scale of the short-term rental income (making such activity organized, professional and continuous). Then the general rules apply and the income will be taxed at 18% or 32% tax rate or, if applied for by the taxpayer, a flat rate taxation of 19%. The

flat rate taxation may be chosen by all taxpayers whose income from short-term lettings should be classified as income received from the business activity.

Polish tax regulations do not provide clear regulation on the specific conditions required to be met by rental activity to be classified as a business activity. However, the more professional and organized the activity is the more arguments the authorities may have to consider it as a business activity rather than regular lettings.

If you are unsure how your income should be taxed and required further guidance, you should consider seeking advice from a tax professional.

Typical expenses that can be deducted from an individual's income in relation to short-term lettings.

Expenses that are incurred in order to earn income or keep the source of income are generally allowable as deductions against income in Poland.

The following expenses are generally allowable as deductions:

- Interest on the loan (excluding the loan instalment),
- Costs incurred to maintain the property, maintenance fees,
- Renovation costs, if they serve to preserve the property in a proper condition and not only increase its value (real estate preservation but not improvement).

The expenses, however, are not allowed to be deducted if a lump sum taxation (8,5% and 12,5%) has been chosen.

Deductions available for tax depreciation (e.g. capital allowances / wear and tear).

If your income is taxable under general tax rules or flat tax rate rules you may be able to avail of a deduction for depreciation.

The basis of the calculations is the initial value of the property (or manufacturing costs), which may be increased by acquisition costs, such as cost of legal and notary services, entry in the Land and Mortgage Register, court fees, tax on civil law transactions etc. Basic rate of annual depreciation is 1.5% but in specific cases the higher individual rate may be applied (up to 10%).

Polish income tax obligation for non-resident individuals.

If you are not resident in Poland but you are in receipt of Polish rental income, you will be subject to tax on this income in Poland, as outline above.

Polish income tax obligations for a Polish individual in receipt of foreign rental income.

If you are a Polish tax resident you may be required to declare any foreign rental income on your tax return and pay associated taxes on this income.

The relevant provisions of the Double Tax Treaties on the avoidance of double taxation may apply if income is received from a country with which Poland has signed a double tax treaty.

General property taxes payable.

If you own property in Poland you are obliged to pay property tax. The maximum rate applied is 0.77 PLN per square meter.

Capital taxes in Poland.

Income from the disposal of property is taxed at the rate of 19% on the net income from the sale. There is no tax liability if the sale takes place after 5 years from the end of the year in which the acquisition or construction took place.

| Sample Computation | | |
|--|-------------------------------|---------------------------------|
| Aleksandra owns a 2 bedroom flat in Helsinki. She rents out the spare room at the weekends. | | |
| Aleksandra received total gross rent in 2018 of PLN 30,085. | | |
| Aleksandra incurred the following expenses in relation to this house in 2018: house insurance PLN 2,000 ^{***} , local property tax PLN 1,500 ^{***} , online commission payments PLN 1,000 and electricity/gas PLN 2,000 ^{***} | | |
| | Lump sum tax (8.5% and 12.5%) | General tax rules and Flat rate |
| | PLN | PLN |
| Gross rental income | 30,085* | 30,085** |

| | | |
|--|---------------|---------------|
| | | |
| <i>Less allowable expenses:</i> | | |
| Online commission payments | | (1,000) |
| House Insurance | | *** |
| Local property tax | | *** |
| Electricity | | *** — |
| | | |
| Net taxable rental income | 30,085 | 29,085 |
| <p><i>*Under this taxation option expenses cannot be deducted.</i></p> <p><i>**The deduction of costs incurred in connection with let property in which the landlord lives, and, in part, irregularly rents, may be challenged by the tax authorities.</i></p> <p><i>***Home insurance, real estate tax, fees related to the use of an apartment, can be deducted from rental income only in the part in which they are directly related to the rented room.</i></p> | | |

VALUE ADDED TAX

Value added taxes can be complicated and you should take time to understand the rules as they apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in Poland is a tax on consumption. Most goods and services supplied in Poland are subject to VAT.

A person who supplies goods and/or services in Poland may have to charge VAT and pay this to the Polish tax authority. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in Poland.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Polish tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

Do I need to collect any VAT from guests if I am letting short-term accommodation in Poland?

In general, individuals who are considered to be in business in Poland need to charge VAT on their supplies, once the criteria for VAT registration is met.

Currently, in Poland, you are required to register for VAT if your turnover exceeds PLN 200,000 in the previous tax year. As such, where you supply short term accommodation and you breach this threshold, you should register for VAT.

If you are an individual who is not resident in Poland, but your accommodation is located in Poland, then you should also register for VAT, as no registration threshold applies to you.

We encourage you to consult a tax advisor if you need assistance in determining whether you need to register for and charge Polish VAT.

For further guidance on registering for VAT, please see the Polish tax authorities' website.

VAT applies to me. How do I determine how much tax I need to collect from my guests?

VAT rates differ per country and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, at the date of issuance of this document, the VAT rate applicable to supplies of holiday accommodation is 8% in Poland. There is also an exemption available in relation to long-term residential lettings, you should reach out to your local tax advisor in order to assess whether this may apply.

However, there are other VAT rates currently in force in Poland, so we recommend that you confirm with a local tax advisor the VAT rate applicable to your supplies.

VAT applies to me. How do I collect VAT from guests?

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT on a periodic VAT return. In Poland, the VAT return typically covers a monthly period and is required to be filed by the 25th day of the following month (i.e. the January VAT return is due to be filed by the 25th of February). The VAT payment is required to be made on the same day that the VAT return is required to be filed. There may also be certain other filing obligations and it is recommended that you confirm with a local tax advisor your VAT compliance obligations.

Some formalities, such as issuing a receipt or an invoice to your guests, may be required. Please find more information on this [here](#).

For further guidance on filing returns, please see the Polish tax authorities' website.

There may also be requirements around whether you use VAT-inclusive or VAT-exclusive pricing. We recommend that you check your obligations in terms of pricing and the applicable invoice requirements with a local tax advisor.