On 16 November, 2018, the President's office announced that the President had signed Poland's tax reform bill on 14 November. This means that the bill has been passed by all statutory bodies (it only awaits formal publication in the Journal of Law) and therefore should be in force as of 1 January 2019.

The bill was passed without significant amendments as compared to the scope described in EY Global Tax Alert, Poland’s 2019 tax reform proposal includes strict withholding tax regime likely to impact international groups, dated 29 August 2018.

One of the most significant changes introduced by the bill is a complete revision of the rules regarding withholding taxes (WHT) on dividends, interest and royalty payments as well as for certain services paid to foreign recipients.

The bill proposes measures with no precedence in Poland, such as:

» Replacement of the current direct application of WHT exemptions or treaty rates with a “pay and refund” system

» Application of statutory WHT rates (19% or 20%) instead of treaty rates or exemptions, unless additional measures are taken, such as:
  – Providing a statement filed by the tax remitter confirming application of lower WHT rates or exemptions
  – Applying for an opinion issued by the tax office confirming WHT exemptions (available only in certain cases)
Since the announced measures will significantly impact international groups operating in Poland, tax and finance teams should assess the impact and assess their next steps in view of the upcoming changes to mitigate a negative cash-flow impact and counteract a potential permanent leakage.

As the changes should be binding from 1 January 2019, the time to evaluate the impact and prepare is limited. Future Alerts will report on developments in this area as well as other significant changes proposed in the 2019 tax reform.

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