



COVID-19: EY Government Support Package

Poland

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COVID-19: Anti-crisis Shield Package



The President of Poland and the Prime Minister have announced a series extraordinary measures intended to provide support to society and entrepreneurs and limit the negative effects of the COVID-19 pandemic. These measures are referred to as the “Anti-crisis Shield” and cover five main pillars across different areas of the economy. The value of the package is substantial, investing billions of euros into the economy, at present almost 10% of Polish GDP. The five pillars are:

1. Employee safety
2. Enterprise financing
3. Financial system strengthening
4. Healthcare protection
5. Public investment

These aims are primarily being delivered through:

- ▶ Central Polish Government and the Polish National Development Bank in terms of the guarantees schemes that been announced.
- ▶ The central tax system (covering cash tax deferral and employment support).
- ▶ The Social Insurance Institution (ZUS)

Areas being addressed:

1. Providing liquidity through financing schemes
2. Helping employers to protect jobs
3. Cash flow support, including government tax deferrals
4. Governance and reduced administration
5. Legal considerations including the deferral into force of certain acts

Employment support: Fund for Guaranteed Employee Benefits

Employers may apply to the Fund of Guaranteed Employee Benefits (Wages Guarantee Fund) for a three month subsidy of up to 50% of employee salaries during economic halt or reduced working time applied as result of COVID-19.

The scheme will run on a first come first served basis until the available funding has been exhausted.

The same subsidy is also available for social security contributions.

Who is eligible?

The scheme will be open to Companies who have suffered a reduction in economic turnover due to COVID-19.

Companies that apply must not be in default for tax or social security contributions, or have previously declared bankruptcy.

Reduction in economic turnover is a decrease in sales of goods for resale or services expressed in quantity or value, measured as follows:

- ▶ A reduction of at least 15%, when comparing total turnover for any two consecutive months in the period between 1 January 2020 and the application date, with the turnover for the same two consecutive months in the prior year; or
- ▶ A reduction of at least 25% when comparing total turnover for any month (deemed to be 30 days) in the period between 1 January 2020 and the application date, with the turnover for the prior month.

How is it accessed?

An application should be made by the employer to the Wages Guarantee Fund for pay subsidies and subsidies to Social security contributions.

What does it cover?

Working time can be reduced by 20% (to no less than half-time), with the provision that the salaries paid must be higher than the national minimum wage (PLN 2,600 p/m), after considering time still worked. The grant will only be provided in relation to employees who have had their working time reduced.

The Wages Guarantee Fund will provide aid covering 50% of employee wages and associated social contributions, up to a maximum of 40% of the average wage per the Central Statistical Office for the prior quarter (currently PLN 5,200 p/m).

These measures do not apply to employees whose salary, in the month prior to the month in which the application was submitted, was higher than 300 percent of the average monthly salary announced by the Statistical Office for the previous quarter (approx. PLN 15.6k gross).

The remaining compensation to be paid by the employer and must be not less than the minimum wage.

Practicalities

Employers will need to explore any contractual restrictions upon reducing working time, and gain approval as needed, from the union of employees or the employees representative.

Employers must also send a copy of the agreement to the competent district labour inspector within five working days of the agreement being concluded.

Workforce planning should be undertaken, to determine the reduction in time to be applied.

Employers will need to substantiate the loss of turnover.

Employees whose wages are being funded by the scheme may not be terminated during the provision of the grant.

Employees must also be retained once the financing is complete, for the same amount of time as the grant was in place.

At present these entitlements are valid for a total of three months from the date of application. Cash requirements once these measures expire should be considered.

Applications for the subsidy will be considered on a first come first served basis until the available funding is exhausted.

Deadlines have been deferred for certain financial and tax filing and payment obligations.

In some cases the deferral will be applied automatically, and in others consideration must be made as to whether a business is eligible and an application must be made for the measure to apply.

Tax payment postponement or rescheduling

Entities negatively affected by COVID-19 may apply to defer their tax payments, or reschedule them to pay via installments.

An application must be made to the tax authorities to do so, following the procedure set out by the Polish Tax Ordinance. Approval must be provided before payments are postponed or rescheduled.

To qualify an entity must substantiate its request for tax payments postponement or rescheduling by showing the existence of important taxpayer interest or public interest.

It is necessary to verify whether the relief maybe considered to be state aid i.e. whether the aid granted by government does not distort competition or does not pose the risk of distortion of competition, and to confirm that it does not affect EU member states trading.

Filing the request where tax payment is not possible is an effective form to protect the company and its management board against penal-fiscal liability for the failure to pay tax liabilities on time.

Social security contributions

Social security contributions may be postponed for up to three months or paid in installments by companies negatively affected by COVID-19.

The entity must substantiate the request by showing how COVID-19 has affected the financial position of the company and its inability to pay social security contributions on time.

This measure does not apply automatically, an application must be made. The application/request may be filed in a simplified form - using the electronic services platform of the Social Insurance Institution (ZUS).

Filing such a request is an effective way to protect the company and its management board against penalties or other fiscal liabilities arising as a result of the failure to make timely payments.

Temporary abolition of the extension fee

Companies which request an extension to the payment deadline for tax and social security payments typically suffer a fee of 4% of the amount payable.

This fee has been temporarily abolished. The abolition applies to both tax payments and social security contributions.

This change is particularly important in case of an entrepreneur requesting the postponement or payment by instalment of tax liability or social security contributions

This applies automatically, a mechanism has already been put in place to facilitate the postponement of payment without the extension fee being levied.

This abolition is limited to applications filed after the nationwide state of epidemic crisis was declared and any filed up to 30 days after its cancellation. A state of epidemic crisis was declared in Poland on 20th March 2020.

Deadlines have been deferred for certain financial and tax filing and payment obligations. In some cases the deferral will be applied automatically, in others an application must be made for the measure to apply.

The Polish Government have announced a number of administrative measures that postpone the effective date for new regulations or extend deadlines to make certain payments, filings, or gather relevant information. These measures apply automatically unless otherwise stated.

Corporate income tax reporting

The filing deadline for 2019 CIT returns is extended to the end of July 2020 for certain businesses, including by hospitals, research centres and non-profit organizations, and to the end of May 2020 for all other businesses.

This measure applies automatically, no penalties will be levied upon tax returns filed before the extended deadline.

Application of JPK-V7M

New VAT reporting rules were to be introduced, such that reporting for VAT purposes will be made as part of one JPK_V7M file.

The requirement to submit the new JPK_V7M file will be postponed to 1 July 2020. For “small and medium-sized taxpayers”, this implementation deadline is unchanged.

Effective date for new VAT rates

The new VAT rates which should have been effective from 1 April 2020 will now become effective as of 1 July 2020.

Advance payments for personal income tax

Advance payments for PIT for March and April 2020 have been postponed to 1 June 2020.

If a business has suffered negative economic consequences as a result of COVID-19, then they are not required to file any application; the postponement of the deadline for advance tax payments extends automatically to include the given entity.

Reporting tax schemes

Extension of deadlines for tax schemes reporting, including the suspension of ongoing deadlines, to no later than 30 June 2020, including the reporting for the EU Mandatory Disclosure Rules.

Financial reporting

In accordance with the regulations provided by the Ministry of Finance the requirements for certain procedures in respect of financial reporting have been deferred by up to 3 months.

This applies to private and public sector entities and NGOs and includes preparation of financial statements, their auditing by audit firms, authorization and making financial statements available to the public.

Transfer pricing information

The deadline to submit transfer pricing information for 2019 has been postponed until 30 September 2020.

Simplified advances

“Small taxpayers” (Revenue < €2m) will be able to opt out of simplified advances and instead calculate monthly advances using the basic principle, i.e. on actual income.

There will be an obligation to disclose the basis of calculation in the 2020 tax return.

It may be possible to carry back losses arising in 2020 as a result of COVID-19 to deduct these from income declared in 2019.

Who is eligible?

Losses of up to PLN 5,000,000 may be carried back to the prior tax year, i.e. 2019 and utilised in that period.

The loss must arise due to the adverse economic consequences of the COVID-19 outbreak and a company must meet the following conditions:

- ▶ A loss in the tax year commencing either before 1 January 2020 and ending after 31 December 2019, or commencing after 31 December 2019 and ending prior to 1 January 2021,
- ▶ Revenue in the loss-making year will be at least 50% lower than the revenue earned in the prior tax year

Practical considerations

- ▶ This full benefit of this measure may not be applied until the extent the impact upon a company's revenue is known, i.e. after the end of the 2020 tax year.
- ▶ However, we recommend companies expecting to make a loss discuss this with the tax authorities up front.
- ▶ The system will facilitate reducing tax liabilities for prior tax years based on an expected loss carry back, i.e. by making payments using the basic principle.
- ▶ A final claim should be made by correcting the 2019 tax return once the total loss is known.

The Government has granted powers to district and municipal councils to confer exemptions or deferrals in respect of locally implemented real estate taxes.

Following the implementation of the COVID-19 emergency act on 1 April 2020, Polish Government is now working to offer further forms of support, including the Anti-Crisis Shield 1.1 and 2.0.

This may include further extensions to reporting deadlines and tax payments.

Tax on commercial real estate

The deadline to pay the minimum tax on commercial real estate for the months March - May 2020 has been extended to 20 July 2020.

This option is available to taxpayers who meet all of the following conditions:

- ▶ in a given month the taxpayer suffered negative economic consequences in connection with COVID-19
- ▶ taxpayer's revenues in a given month are at least 50% lower than in the corresponding month in the previous tax year.

Financing using EU funds

The new instruments financed using EU funds are to include:

- ▶ Non-returnable subsidies of up to EUR 800,000;
- ▶ Preferential loans corresponding to a maximum of 2-year labour costs or 25% of turnover for 2019.

Exemption from real estate tax

Provisions have been introduced which grant district/municipal councils the power to exempt entrepreneurs from real estate tax (land, buildings and constructions used for business purposes) where their financial liquidity has deteriorated due to suffering negative economic consequences of COVID-19.

The municipal councils can introduce this exemption for a part of 2020 at their discretion.

What will it cover?

Aid funds awarded in the form of the new instruments are to be allocated to finance investments or current operations, so they may prove an attractive alternative to external debt sought on the market.

The new forms of aid can be combined with the subsidies already granted to offset the cost of salaries.

Corporate governance

In order to allow companies to operate during limited mobility of corporate authority members, the provisions allowing the management and supervisory boards of all companies to meet and confer via means of direct communication or vote by written ballot through other members of management or supervisory boards have been introduced to Polish Commercial Companies Code, except where the Articles of Association provide otherwise.

Government sponsored liquidity

On April 8 the Prime Minister of Poland and the government announced an additional PLN 100bn (4.5% of GDP) liquidity program for micro, small/medium, and large enterprises, to be financed by the Polish Development Fund. Up to 60% of the financing may be subject to later default, subject to the conditions applied (maintaining employment, continuing business, and ratio of lost revenues).

Further details to be released by Development Ministry and other government agencies in due course.

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Our tracker provides a snapshot of the policy changes that have been announced in jurisdictions around the world in response to the COVID-19 crisis.

Policy changes across the globe are being proposed and implemented on a daily basis.

The document will be updated on an ongoing basis but not all entries will necessarily be up to date as the process moves forward.

Key jurisdictions covered by the Response Tracker include:

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|------------------|--------------|-------------------|------------------|
| ▶ Australia | ▶ Denmark | ▶ Malaysia | ▶ Sweden |
| ▶ Austria | ▶ France | ▶ New Zealand | ▶ Switzerland |
| ▶ Belgium | ▶ Germany | ▶ Norway | ▶ Taiwan |
| ▶ Brazil | ▶ Greece | ▶ Puerto Rico | ▶ Thailand |
| ▶ Canada | ▶ Hong Kong | ▶ Singapore | ▶ Ukraine |
| ▶ China | ▶ Indonesia | ▶ Slovak Republic | ▶ United Kingdom |
| ▶ Colombia | ▶ Italy | ▶ Slovenia | ▶ United States |
| ▶ Cyprus | ▶ Japan | ▶ South Korea | |
| ▶ Czech Republic | ▶ Luxembourg | ▶ Spain | |



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