

## Changes in personal income tax for 2009

Just over two months remain until the beginning of a new tax year. Changes in personal income tax (PIT) which taxpayers may expect are partly the result of already existing provisions of the PIT Act, whose entry into force had been postponed, as well as its latest amendment which is now in the parliamentary phase and is expected to become law by the end of November. We take this occasion to remind you of the most important changes.

The most vital change is the long awaited introduction of the new tax rates: 18 per cent and 32 per cent, replacing the present three rates: 19 per cent, 30 per cent and 40 per cent, and raising at the same time the threshold for the first tax bracket to 85,528 PLN.

There are changes also in the scope of preferential taxation for married couples and single parents. These changes follow the necessity to adjust existing regulations to EU laws, by enabling joint taxation for couples having their residencies in different member states.

By the same token, it was necessary to conform Polish tax law to EU rules in the area of applying a 10 per cent flat rate tax to prizes above 2,280 PLN won in certain types of games. Until this year, preferential taxation was possible if the game was organized by a Polish entity. The intended change is meant to lead to an equal treatment of organizers from other EU and EEA countries.

Another important change is the ending of the so called registration tax relief, introduced on 1 January 2007, concerning the transfer of immovable property. The change is justified by the lifting of the obligation

to register at one's address. It is to be replaced by another relief, by which the income earned on the transfer of an immovable property will be tax-free if spent on certain housing purposes within two years from the day it was earned.

A further change comes as a result of adjusting the law to last year's ruling of the Constitutional Tribunal. When calculating the taxable base, taxpayers will be entitled to deduct social security premiums paid abroad and to lower the tax payable by the amount of health security premiums paid abroad.

The pro-family relief is going to change as well. Its scope will broaden by including guardians and foster parents. At the same time the amount of the relief will depend on the number of months, in which the actual care of the child was performed.

The above information does not aspire to be an exhaustive source, but rather to highlight and remind of the most significant changes. In case of queries or uncertainties we encourage you to contact KPMG.

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