

Amendments to the Corporate Income Tax Act

On 2 April 2009 the Higher House of the Parliament (the Senate) adopted an amendment to the Corporate Income Tax Act (the "Amendment") passed by the Lower House of the Parliament on 5 March 2009. The Amendment is an element of the Polish Government's "Economic Stability and Development Scheme" in response to the global financial crisis. The Amendment has been presented for the signature of the President of Poland.

The Amendment implements some improvements for small-sized companies as well as companies commencing their economic activity. Furthermore, the Amendment provides for some favourable solutions in respect of the costs of development activity. Below we present the most important changes to the Corporate Income Tax Act.

Definition of a small-size taxpayer

The current definition of a small-size taxpayer will change. The Amendment increases the value of sales revenue which allows for classification as a small-size taxpayer from EUR 800 000 to EUR 1.2 million. In this way the definition of a small-size taxpayer was adjusted to the one existing in the VAT regulations as well as in the provisions of the Accounting Act according to which, exceeding the value of revenues EUR 1.2 million obliges the taxpayer to keep accounting books.

One-off depreciation write-off method

The Amendment provides for an increase in the limit of one-off depreciation write-off, valid for the years 2009-2010. Small-size taxpayers and taxpayers starting their business in the years 2009-2010 will be entitled to treat the costs of investments in fixed assets as tax deductible expense by means of a one-off depreciation write-off, to the limit of EUR 100 000. This special depreciation write-off will apply, as currently, to fixed assets included in groups 3-8 of the Fixed Assets Classification, excluding passenger cars. The one-off depreciation write-off method applies to all fixed assets of groups 3-8 of the Classification, irrespective of whether these assets are acquired new, secondhand, were created by the taxpayer, or were upgraded. Taxpayers starting their business in the years 2008 and 2009 will have the right to make a EUR 100 000 depreciation write-off also in the year following the year in which they started their business activity.

The new law specifies that in the case of organizations with no legal personality (e.g. partnerships), such organizations are entitled to the limit of EUR 100 000.

Costs of development works

Under the current regulations, the costs of development works cannot be included in tax deductible costs until such works are completed. Pursuant to the Amendment, taxpayers will have the right to choose whether to recognize the costs of development works as tax deductible (1) in total in the month they were incurred or (2) in equal parts for the period of 12 months starting from the month they were incurred or (3) after completion, in the tax year such works were completed or (4) as depreciation write-offs made from intangible assets..

The Amendment does not apply to costs of development works started before 1 January 2009.

The Amendment will come into force 14 days after the date of its announcement.

Should you be interested in further information concerning this Amendment, please feel free to contact us.

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