

A guide to VAT in POLAND

AN INTRODUCTION TO VAT IN POLAND

VAT was introduced in Poland on 1st January 1993, replacing the previous turnover tax system.

Locally, it is known as Podatek od towarów i usług.

The introduction of VAT was in anticipation of Poland's entry into the European Union as it sought to align its tax system with European standards.

It was part of a broader set of economic reforms following the fall of communism and Poland's transition to a market economy.

Since then, the VAT system in Poland has undergone several amendments and adjustments to accommodate changes in both domestic economic conditions and EU tax laws.

The alignment facilitates trade and commerce within the EU, making it easier for Polish businesses to operate in the broader European market.

The primary legal document governing VAT in Poland is the VAT

Statute, enacted on 11 March 2004.

The Polish Tax system is characterised by a mix of direct and indirect taxes, which are designed to fund public services and infrastructure while promoting economic growth.

In recent years, Poland has implemented various reforms to enhance VAT compliance and combat tax fraud, including the introduction of the Split Payment Mechanism and the National e-Invoice System.

These measures aim to improve transparency and efficiency in VAT administration.

Foreign companies providing taxable supplies of goods and services in Poland may be required to register for VAT as a non-resident trader and comply with all the accounting and payment requirements.

VAT RATES

23% Applies to most goods and services.

5-8% 8% applies to specific categories such as certain food products, some types of construction services and hotel accommodation. 5% applies to mainly items like books and certain types of food.

0% Applies to exports and certain international services.

EXEMPTIONS

Taxpayers whose sales do not exceed certain thresholds are not obliged to register for VAT. Poland has one of the lowest thresholds for VAT registration in the European Union. Businesses with annual turnover exceeding 200,000 PLN (approximately €43,000) must register for VAT, which is relatively low compared to other EU countries. This low threshold ensures broad tax compliance among businesses but can be challenging for smaller enterprises or startups.

The following areas are exempt from VAT in Poland:

Educational Services

Betting & gambling

Health & Welfare Services

Financial Services

E-INVOICING IN POLAND

Poland is in the process of implementing a mandatory e-invoicing system under the National e-Invoicing System (KSeF) to streamline VAT reporting and combat tax fraud.

The National e-Invoicing System (KSeF) is available for use on a voluntary basis from 1 January 2022.

This means that since January 2022 paper invoices, non-structured electronic invoices and invoices issued via KSeF will be accepted.

All VAT taxpayers with a seat or a fixed establishment in Poland will have to issue electronic invoices.

To encourage the use of the new platform, the government has announced, as a tax incentive, the

reduction of the VAT refund time by one-third, (40 days instead of 60).

The staged implementation will be:

- KSeF will be mandatory from February 1st, 2026, for large taxpayers (over PLN 200 million per annum).

- KSeF will be mandatory for all taxpayers April 1st, 2026.

The implementation aligns with EU initiatives like the VIDA (VAT in the Digital Age) project, which aims to harmonise e-invoicing and real-time reporting across member states. Poland is among the early adopters in the EU.

VAT registration

How do you register and report on your data to the tax authority?

For foreign businesses trading in Poland that are VAT/GST/Tax registered in their home state, the VAT registration threshold is nil.

For EU VAT registered companies selling goods over the internet to consumers in Poland, the VAT registration threshold (distance selling) PLN 160,000 is per annum.

Registration should be completed before a business carries out its first taxable transaction. Taxpayers looking to register for VAT in Poland are required to submit a host of documents to the tax authority.

The required documents and information include:

- VAT-R application form
- Certificate of Incorporation
- Tax identification number from your established country

Registering for VAT in Poland typically carries a process time of up to 30 days from the submission date.

Digital Services

As of 2024, Poland continues to align with the European Union's VAT framework for digital services, ensuring that electronically supplied services (ESS) are taxed at the standard VAT rate of 23%.

This encompasses services such as streaming, software downloads, and online hosting.

Poland participates in the EU's One-Stop-Shop (OSS) system to simplify VAT compliance for cross-border digital service providers. This mechanism allows businesses to register for VAT in a single EU member state and report all EU-wide sales through a unified return, thereby reducing administrative burdens. The OSS is particularly beneficial for non-EU businesses, preventing multiple VAT registrations across different countries.

Split Payment Mechanism (SPM)

Poland's split payment mechanism (SPM) for VAT, was first introduced in July 2018 and became mandatory for specific transactions in November 2019. The aim of the SPM was to combat VAT fraud and enhance tax compliance.

The buyer's payment for an invoice is divided into two parts; the net amount goes to a supplier's standard bank while the VAT amount is transferred to a dedicated VAT account. This VAT account, set up automatically by banks, is tightly regulated and can only be used for limited purposes, such as paying VAT liabilities to the tax office or other suppliers using SPM.

The mechanism is mandatory for transactions exceeding PLN 15,000 involving certain goods and services, including construction, electronics, fuels, and steel. For other transactions, its use remains optional.

SPM has proven effective in reducing VAT gaps and ensuring better compliance. It remains a critical tool in Poland's efforts to combat tax evasion and secure government revenue.

Reporting requirements

As of 2024, Poland continues to utilise the Standard Audit File for Tax (SAF-T), known locally as Jednolity Plik Kontrolny (JPK), for VAT reporting.

Implemented on 1st January 2018, this system mandates that both resident and non-resident businesses submit JPK reports by the 25th of each month for the preceding month's transactions.

The JPK structure encompasses several components, including:

- Księgi Rachunkowe (Accounting Books)
- Magazyn (Warehouse/Storage)
- Wyciągi Bankowe (Bank Statements)
- Ewidencje Zakupu i Sprzedaży VAT (VAT Purchase and Sales Records)
- Podatkowa Księga Przychodów i Rozchodów (Revenue and Expense Tax Books)
- Faktury VAT (VAT Invoices)
- Ewidencja Przychodów (Revenue Registry)

DID YOU KNOW...

Poland has a fast VAT refund mechanism for businesses. While the standard VAT refund period is 60 days, Poland offers a faster 25-day refund option that meet specific conditions, such as paying their suppliers in full and submitting additional documentation.

This incentivises timely payments and supports cash flow for compliant businesses, making it an attractive feature for those operating within the Polish VAT system.

