



I. Value Added Tax

In order to use the privilege of VAT deduction and refund due to purchase of premises a person is obliged to:

1. Submit a VAT-R registration form and settle a payment of 170,00 PLN (transferred directly to a Community Office's account) at a tax office legitimate for the place where the premises is situated before acquiring the premises or before receiving the first advance payment invoice. In column C1 the entry number 34 and in column C2 the entry number 50 or 51 should be marked. One shall choose a form of settlement (monthly or quarterly) and pinpoint the month from which VAT-7 or VAT-7K declarations will be submitted (I suggest a monthly settlement, that is VAT-7). VAT application is not equivalent to reporting business activity.
2. Submit VAT-7 or VAT-7K declaration where advance payment invoices or an invoice proving the purchase of the premises will be disclosed. There is a possibility of VAT tax payment in following periods (*moving the surplus from purchases to the next month/quarter – the surplus is diminished for VAT from sales – the tax is not settled until the whole surplus is settled*) or refunding the tax on to a bank account.
3. A refund to a bank account may be executed in one of the following modes:
 - 180 days if in a given accounting period there was no sale taxation or upon a written request in an accelerated mode of 60 days, however, this requires security on property;
 - 60 days if in a given accounting period there was sale taxation or upon a written request in a mode of 25 days if the invoices declared are fully settled.

VAT registration requires submitting a declaration regardless of whether in a given accounting period a sale or purchase took place, and keeping records of VAT sales and purchases.

If within a period of 10 years counting from the end of year in which the premises was purchased it will be sold, VAT from such sale shall be declared and settled at a tax office.

If within a period of 10 years counting from the end of the year in which the premises was purchased the owner decides to rent it for residential purposes, which is VAT free, they are obliged to rectify and refund the deducted tax. A rectification is effected proportionally for each year left to the end of a ten-years accounting period.

A sale may take place:

- on behalf of entities conducting economic activities (legal and natural persons) – in such a situation sale is taxed according to the basic rate (22%/23%).
- for everyone in the scope of accommodation services – in this case the taxation rate is 7%/8% , however, these services may be provided only within conducted economic activity, which is connected with income tax.
- for natural persons for residential purposes – sales is VAT free and it is connected with potential rectification and refund of the tax deducted with purchase to the office. VAT payment obligation arises from the day of receiving the entire payment or its part no later than on the payment date specified on the invoice.

Natural persons purchasing premises for their own private usage may not use the benefit of VAT deduction. Generally speaking, people purchasing premises for their own private usage or for residential purposes will not be able to use the benefit of VAT refund.

II. Income tax

Income tax from lease may be settled in three forms:

1. Lump sum from registered incomes of 8,5% of the income;
2. Income tax calculated according to general rules of 18% or 32% of the income;
3. Income tax calculated according to the flat tax rate of 19% of the income.

Ad1)

The head of a tax office legitimate for the place of residence shall be informed about the choice of this form of taxation until 20th January or before obtaining the first income in respect of this taxation form. In case of joint property of spouses it is good to submit a statement of settling one's incomes obtained from lease only by one of the spouses; otherwise each of them will have to settle half of the income pinpointed in the lease agreement. The value of the tax is 8,5% of net income (VAT deducted income). No costs may be deducted here. Optionally, re-invoices for the media are not an income, therefore, they are not subject to taxation.

Advance tax payments are settled according to the accounting period specified in the lease agreement (not less often than once a year) and PIT-28 declaration shall be submitted to an office till 31st January of the following year.

Ad2)

If another type of taxation is not reported to the tax office settling the tax takes place according to general rules. The tax is 18% of the income and in case of exceeding the tax threshold (85.528,00 PLN) the tax rises to 32%.

An income is a net income deducted for net costs (all without VAT). In this case lease incomes are joined with incomes from other sources (employment agreement, an order, a task, retirement, allowances, business activity and others).

An advance payment for a tax is paid according to the accounting period specified in the lease agreement (not less often than once a year) and PIT-36 declaration shall be submitted to an office till 30th April of the following year.

Ad3)

Settling the incomes from lease by a 19% flat tax rate is only possible within the conducted economic activity.

Advance payments for the tax are paid according to the accounting period specified in the lease

agreement (not less often than once a year) and PIT-36L declaration shall be submitted to an office till 30th April of the following year.

If a natural person registers for VAT, the income is deducted on a memorial base, that is due income and not the received one is taxed, regardless of the form of taxation and the purpose of the leased premises.

In order to avoid the risk of having a cash register installed all settlements from incomes shall be cleared in a non-cash form.

The above information shall not constitute any taxation advice and it was prepared on the basis of legal status operating in July 2012.