Wrocław, 21.08.2017 r.

NEWSLETTER NR 14/2017/TAX[1]

PLANNED AMENDMENTS TO THE CORPORATE INCOME TAX

A draft of the amendments to Act on Corporate Income Tax, which would enter into force as on 1st of January 2018, was published on the websites of the Government Legislation Centre. This draft, to the relevant extent, constitutes a partial implementation of Council Directive (EU) 2016/1164 as of 12th of July 2016, introducing rules against tax avoidance practices that directly affect the functioning of the internal market (Dz.U. UE L 193/1 from 19.07.2016)[2]. The Directive entered into force on 8th of August 2016.

The primary objective of the amendments, as mentioned in the justification of the draft of the act, is sealing the corporate income tax system so to provide a link between the level of the tax payed by large enterprises (in particular international enterprises) and the actual place of obtaining income by them. Below, I signalise the most significant of the proposed amendments, according to our assessment:

1. distinction of sources of revenue in CIT between capital profits and other sources, while excluding the possibility of compensating the income which is being obtained within the framework of one of these sources with the losses incurred in the second one;

2. modification of regulations limiting rate of deducted interest (costs of debt financing) to the amount of up to 30% taxing EBITDA[3];

3. introducing regulations limiting level of costs;

4. obtaining revenue related to contracts of intangible services (e.g. license agreements, advisory services, accounting, market research, legal services) and related to using intangible or legal values (e.g. trade marks) to the amount of up to 5% EBITDA.

In case of any further questions, we are at Your disposition.

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[1] Niniejszy Newsletter nie stanowi porady prawnej ani podatkowej.

[2] Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market (**Official Journal of the European Union, L 193, 19 July 2016)**

[3] **EBITDA**: earnings before interest, taxes, depreciation and amortization.