



ONLINE MEETING WITH REPRESENTATIVES OF THE MINISTRY OF FINANCE, DEVELOPMENT FUNDS AND REGIONAL POLICY

Wednesday, May 26, 2021

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Minister of Finance, Development Funds and Regional Policy



The meeting was as a part of the Ministry initiative "Dialog z Biznesem".

During the meeting with the representatives of the Ministry of Finance, participated more than 130 representatives from companies associated with the International Chambers who are a part of the #IGCC (International Group of Chambers of Commerce).

*The meeting was attended by Minister of Finance **Mr. Tadeusz Kościński**, Ambassador of Belgium to Poland **Mr. Luc Jacobs**, President of the Belgian Chamber of Commerce **Mr. Pierre Detry** and Deputy Minister **Mr. Jan Sarnowski** and **Mrs. Anna Chałupa**.*

RÉSUMÉ OF THE MEETING

QUESTIONS RAISED BY THE IGCC

before the meeting

I. WHT

WHT - In 2019 new, highly rigorous regime concerning withholding tax (WHT) collection on certain outbound payments was introduced. Since then Members of IGCC initiated several meetings and filed numerous motions to the Ministry of Finance underlining the urgent necessity of amendments of the new law. In the end of 2019 and again in 2020, we have been assured that the draft of the novel will be revealed shortly and the related binding clarifications of the new law will follow. Until today they have not been made public. In the meantime, some of the new regimes' provisions were suspended (currently, for the 5th time, till end of June 2021). Some of the provisions - such as highly controversial from technical and practical perspective definition of the so called beneficial owner - remain in force. The binding provisions as well as lack of clarity regarding planned novel, cause massive uncertainty for both Polish tax payers as well as foreign investors, lowering the attractiveness of Polish investment environment. We will be happy to discuss the way forward and how the IGCC Members can engage and contribute to the process as well as present details of our standpoint.

The Ministry of Finance is working on an amendment to the withholding tax regulations, which should enter into force on 1 January 2022. In this regard, extension of suspension of the application of the current rules in PIT and CIT till the end of 2021 are planned.

SPECIFIC QUESTIONS

a. We would ask you to confirm that further postponement of the provisions on the application of art. 26 paragraph 2e of the Act on CIT and art. 41 paragraph 12 of the PIT Act. If so for what period and when can we expect a draft regulation?; It is worth noting here that it will be the sixth postponement of the regulations.

The Ministry of Finance plans to issue further decrees that will extend the application of the changed rules of withholding tax collection in PIT (Article 41 (12) of the PIT Act) and CIT (Article 26 (2e) of the CIT Act) until December 31, 2021. Drafts of relevant regulations should be made available probably in the beginning of June in the Public Information Bulletin on the website of the Government Legislation Center, on the website Government Legislative Process.

b. When can we expect a draft amendment to the WHT provisions that were announced by the Ministry of Finance in September 2020?

The Ministry of Finance is currently finalizing works related to the preparation of a comprehensive solution in the form of an amendment to the provisions on the principles of withholding tax collection. The draft of the bill will be published after completion of the work concerning Polish Deal, so once the program is public, changes to withholding tax will be released for further public consultation. It means that changes should be made within the appropriate period adjustment.

c. Explanations regarding the application of WHT regulations - currently, only a project of explanations from 2019 is publicly available. Completing the process of consulting the project of explanations and the adoption of its final version is extremely important from the point of view of the certainty of the use of very unclear and difficult on the technical side of the provisions

The final version of tax explanations on the principles of withholding tax collection will be released after the amendment to the WHT regulations coming into force. At the same time, please note that in order to ensure broad consultation of the document before its final version is released, a draft explanatory note was published on the website of the Ministry of Finance. All interested persons and entities could submit comments on the document as part of its consultations.

d. Because from 2018, we have been working with the Ministry of Finance in the field of WHT, we will be grateful for taking into account the postulate, that consultations on the announced amendment and explanations were respectively long (min 10 days) and directed to a wide range of.

By publishing the draft tax explanations on the principles of withholding tax collection, the Ministry of Finance made it possible for all interested persons and entities to submit comments to the document from 19 to 30 June 2019. The scope and nature of these comments, as well as their potential inclusion in the final version of the explanations taxes will continue to be thoroughly analyzed as part of internal work at the Ministry of Finance. At the present stage, the Ministry of Finance does not exclude a second round of public consultations conducted before the publication of the final version of the explanations.

At the same time, we would like to inform you that the duration of public consultations on the amendment to the withholding tax regulations will be specified with the publication of the bill.

II. EMPLOYEE SHAREHOLDER - CCIFP

As part of the work of the Staff Shareholders Committee, which operates at the French-Polish Chamber of Commerce, we have noticed the fears of our members related to the potential application of the provisions MDR to the employee shareholders organized by them. There are tens of thousands of Polish employees in this program. Application to them MDR regulation mean to indicate a huge organizational effort and could cross the success of this form of saving. We undertook in this respect on the MDR forum and with the tax system department. Due to the pandemic Covid-19, these works had to be interrupted. We would like to remind you with this topic to ask about information when it is possible to talk to the implementation of recommendations developed in the MDR Forum framework.

The Ministry of Finance is working on the respective update of the official Tax Explanations as of January 31, 2019 regarding the Information on Mandatory Disclosure Rules (MDR). Motion submitted by the French Polish Chamber of Commerce regarding reporting as tax schemes shareholder programs for employees of capital groups, as well as all other motions and proposals submitted so far, are being analyzed.

III. DONATIONS COSTS

Our member would like to operate donations of products at a large scale to Associations of public interest, as a concrete action of social responsibility. However, the fiscal cost of such donations is heavy, considering the VAT to be paid for goods donated, as there is no exemption in their industry. Would you consider extending exemptions of VAT to consumer goods in case of donations to Associations of public interest?

We understand the issue raised by you, however, it should be noted that the existing EU VAT provisions do not allow Member States to apply VAT exemption to consumer goods in the case of donations to Associations of public interest.

Recognizing the need for such a measure, please be advised that we have been in dialogue with the EU Commission regarding this issue.

IV. GREEN ENERGY

Poland is in a transition period towards green energy, we know that these solutions will be available by 2040. Some of companies, like L'Oréal, that want to go faster and become carbon neutral in Poland by 2025, to make it happen, they need to source green gas, especially for the local production. Would you consider specific incentives for the companies willing to invest in the green energy sourcing solutions?

The climate neutrality target requires engagement of all stakeholders in Poland. The government adopted the 2040 Energy Policy Strategy which provides the main challenges of the energy transformation that should be addressed. Among others there are: the need to develop new technologies such CCUS, efficient energy storages, modernization that power transition network, and many others. Transformation of energy sector is the key element on the path towards climate neutrality, however the main investments will be carried by transport and industry sector. Therefore a development of green gas technologies, which can be used as a fuel and therefore will contribute to transformation of transport or as energy storage for industry and energy sector may become a crucial factor for achieving the neutrality target.

Therefore, the government is working on the Polish Hydrogen Strategy, which will define the main objectives for the development of a low-carbon hydrogen economy in Poland and the directions of intervention that are desirable to achieve them. The Strategy will carry out a diagnosis of the current situation, determine the state of maturity and cost of individual technologies and consider their potential impact on the economy and present expected development trends. The document will also identify a list of priority hydrogen investments assessed as key for the development of the hydrogen market.

As one of the most industrialised countries in the EU, Poland has ambitions to reduce CO2 emissions through the decarbonisation of industry. Hydrogen technologies and systems are a tool to address the many challenges in this challenging process. In order to support their development, Poland supported the manifesto on 17 December 2020 to organise a call of proposals to IPCEI programme on "Hydrogen Technologies and Systems", and announced a national competition on this subject on 5 March 2021.

We also plan to launch programmes to support R&D in hydrogen technologies: dedicated Hydrogen Technologies Support Programme covering, among other things, financial and organisational support for feasibility studies of industrial hydrogen valleys as part of the construction of industrial circular processes. As part of the programmes supporting the development of the hydrogen economy, we have launched the "New Energy" and "Green Public Transport" programmes.

The other key area of green transformation is the production and use of biomethane, and other synthetic fuels (e.g. methane). This task requires not only investment activities based on already existing technologies, but also high activity of Polish companies in Pan-European research networks, and consequently creation of appropriate organisational and financial framework for this.

V. TRANSFER PRICES

Last posted position, in connection with the publication of the project of explanations of the tax-approval of the application of provisions governing the issues related to the presumption and the due relationship in the field of verification of settlements from the so-called Tax Haven, is it possible to temporarily suspend yourself to the assumed target of regulation, until the appropriate legislative changes and the output of the interpretation direction are possible?

The effects of the new regulations have always been under supervision and monitoring by the Ministry in order to assess them properly. It requires however some time, at least a year, to evaluate new provisions and conclude if any amendments are needed.

The new legislation as regards Article 11o of the CIT Act entered into force in January 2021, thus they are relatively new.

The Ministry of Finance is of the opinion that the regulations are adequate to the aim and needs.

The Ministry has been nowadays working upon finalising the explanatory notes on the application of Article 11o of the CIT Act. We received a lot of comments on the draft of the explanatory notes issued in March 2021. Besides, we have decided to open an in-depth discussion with various stakeholders on the compliance issues sent to us during the consultation process. Upon that we have decide to broaden the content of the explanatory notes so that they cover not only paragraph 1b of Article 11o of the CIT Act but paragraph 1a of that Article as well. We are of the opinion that it will facilitate proper understanding of the provisions. Article 11o must be read as a whole, esp. when it comes to the beneficial owner concept described in paragraph 1a of that Article. The due diligence and presumption – as set out in paragraph 1b of Article 11o – plays a simplification function when there is no way to indicate if the beneficial owner is or not in a tax heaven country. Whenever the taxpayer has the knowledge that the beneficial owner is not situated in a tax heaven, Article 11o paragraph 1b will not apply (as we stop at paragraph 1b of that Article)

The Ministry of Finance declares the comprehensive evaluation of the new provisions, esp. as it comes to the compliance issues.

VI. CASHLESS & PAPERLESS

It is widely known the Minister's focus and the support in the pursuit of dissemination of cashless & paperless, falling with the times, safe for trading and users and enabling the fight against a grey zone. What are the plans of the Minister in this regard? How would the minister come to fairly outstanding comments flowing from the NBP prompting for a cash trading dosage?

Ministry of Finance cares for the equality of various forms of payment, so that every citizen can make a payment in a form convenient for him, be it in cash, by card, credit transfer or mobile payment. Freedom of choice is important for us so that citizens can use any form of payment convenient for them at any time, otherwise they may have limited access to the selected goods or services and thus may simply be excluded. Actions taken to ensure the freedom of consumers to choose the means of payments must not, however, obscure continuous efforts of the Ministry focused on supporting non-cash payments, as it contributes to reducing the shadow economy and fosters innovation in FinTech. The constant and dynamic increase in the number of payment terminals in Poland and the intensity of their use in Poland is therefore warmly welcomed by us and further supported. Recent studies show that Polish society is open for innovation, and we are assuming that this trend will continue.

VII. ALCOHOL SELLING

a. Does the Ministry of Finance consider changing the amount of excise duty from the products in the near future?

At the moment, the Polish Ministry of Finance is not working on changing the excise duty rates for alcoholic beverages.

b. What is the MF position on changing the way of calculating excise tax on various alcoholic categories, and especially change the calculation of the excise duty for beer (according to content, and not according to Plato degrees?)

The excise duty is a tax harmonized at the European Union level. Harmonization of indirect taxes, including excise duty, is a guarantee of the existence of a single market in the EU. The fact that national law is covered by the obligation of harmonization with EU law means that Poland, like other EU Member States, does not have unlimited freedom to create its 2 own solutions in this matter. In the field of alcohol and alcoholic beverages, the key piece of legislation at EU level is Council Directive 92/83/EEC of 19 October 1992 on the harmonization of the structures of excise duties on alcohol and alcoholic beverages („the alcohol directive”).

According to art. 21 of the alcohol directive, in the case of ethyl alcohol, the excise duty shall be fixed per hectolitre of pure alcohol at 20°C, and shall be calculated by reference to the number of hectolitres of pure alcohol.

In turn, in the case of wine, fermented beverages other than wine and beer, and intermediate products the excise duty levied by Member States shall be fixed by reference to the number of hectolitres of finished product (accordingly: art. 9, 13, 18 of the alcohol directive).

However, in the case of the excise duty levied on beer, according to art. 3 (1) of the alcohol directive, Member States have the option of fixing this tax in two ways: to the number of hectolitre/degrees Plato of finished product or to the number of hectolitre/degrees of actual alcoholic strength by volume of finished product.

Poland, like most EU Member States, fixes the amount of this tax to the number of hectolitre/degrees Plato of finished product. It should be underlined that the above state of play has not been changed by the last significant amendment of the alcohol directive carried out by Council Directive (EU) 2020/1151 of 29 July 2020 amending Directive 92/83/EEC on the harmonization of the structures of excise duties on alcohol and alcoholic beverages.

It is also worth noting that, in accordance with the Act on Upbringing in Sobriety and Counteracting Alcoholism (art. 10) which is in force in Poland, legal acts influencing the structure of the prices of alcoholic beverages should serve to limit the consumption of these beverages and change the structure of their consumption in favour of beverages with a low percentage of alcohol.

However, the Polish Ministry of Finance informs that legislative work related to the implementation of the mentioned provisions amending the alcohol directive into the Polish legal system has already been started. These works include, among others, change of measurement method in Plato degrees (all the ingredients of the beer, including those added after the completion of fermentation, shall be taken into account for the purposes of measuring the degree Plato). The date of sending the draft of the legal act for public consultation is not known yet.

c. Is - and when - changes in the way of calculating excise duty from alcohol will be the subject of workstone at the MF of the taxation of excise goods? At what time, we expect any binding decisions in the field of alcohol accumulation?

Ministry of Finance informed about the date of first meeting. It will held on June 29th .The topics will be tobacco products, raw tobacco, liquid for electronic cigarettes and novel tobacco products. The topic of the next meeting will be alcoholic beverages. The date and detailed scope of discussion of the next meeting has not yet been specified.

VIII. STARTUPS

We observe that many European countries have defined different programs to support startups and small companies during the pandemic. Is Poland planning to provide additional support to start ups and to small companies to overcome the Covid-19 economic impact and to help them to return to being a growth driver for the Polish economy? What will be the program access conditions and how would this new program materialize?

Answer given by the Ministry of Economic Development, Labour and Technology

We need more startups in Europe that grow into innovative SMEs and eventually scale up into even larger, successful corporations and contribute to Europe's digital sovereignty. To do so, startups in every member state need favourable conditions to grow at every stage of their life cycle. Moreover, providing the best framework conditions can help the most promising European startups stay and flourish in Europe, and grow to compete globally.

The overall system of instruments supporting the innovative activity and strengthening the presence of Polish innovative companies on foreign markets has been developed in the frames of Smart Growth Operational Program 2014-2020 and other operational programs at the national and regional level. Support under operational programs is divided into aid for R&D projects and activities for the creation of innovative start-ups. In the next financial perspective, we also took care of support dedicated to innovations.

*The most important element in creating the start-up ecosystem is **the Start in Poland** program. The program creates favourable conditions for the activities of start-ups at every stage of their 3 development, starting from the incubation and acceleration phase, through development and international expansion. Start in Poland is the largest program for start-ups in Central and Eastern Europe and consists of many different components. The budget of the program is equal to nearly PLN 3 billion. Thanks to the program, about 1,500 innovative startups were created in Poland. Support under this program has been and will continue.*

During the pandemic, we launched support for the company under the Anti-Crisis Shields. All companies, including small ones and startups, benefited from this help. We have allocated over PLN 200 billion for this purpose.

Using European funds under FENG, we are planning to support development of innovative companies as well as innovators. The program is designed to increase the potential for research and innovation and the use of advanced technologies, contribute to the growth of SME competitiveness, develop skills for smart specialization, industrial transformation and entrepreneurship, and support the transformation of the economy towards Industry 4.0 and green technologies.

IX. CLIMATE IMPACT

How will the MinFin monitor the impact of the climate-related funds of Next Generation EU on Poland's actual greenhouse gas emissions? Has it defined climate-related indicators of success?

Answer given by the Ministry of Development Funds and Regional Policy

The Ministry of Development Funds and Regional Policy is responsible for the preparation and coordination of the implementation of EU funds, both those under the cohesion policy, the Just Transition Fund and the Recovery and Resilience Facility. So the EU funds are in one hand, which will facilitate the monitoring of changes, and thus the impact on greenhouse gas emissions in Poland. In this respect, the Ministry cooperates very closely with the Ministry of Climate, local governments and other entities that implement EU funds and also national measures related to green transition. All instruments have been designed to reduce greenhouse gases and harmful substances affecting environment. This is illustrated, for example, by indicators in individual documents - the Partnership Agreement, operational programs or the National Resilience and Recovery Plan (NRRP). Moreover, the last one has been developed in accordance with the "do no significant harm" principle (DNSH).

The NRRP responds to the challenge of transformation of key sectors of the economy to a lowcarbon model using opportunities for development in the area of green technologies. The document outlines the decarbonisation path of the Polish economy. Support will be provided primarily to: RES, green technologies, renovation of buildings, replacement of heat sources, low and zero emission transport. In addition to reducing greenhouse gas emissions and reducing dependence on fossil fuels, this will allow to improve air quality.

The table of NRRP milestones and targets contains many climate-related indicators, but these are not strictly related to the value of greenhouse gas emissions. These include indicators such as: Heat sources under signed contracts that meet the DNSH requirements or total capacity that meets 4 the DNSH requirements; Final energy savings achieved under the single-family housing program; Reduction of primary / final energy consumption per product unit in enterprises; Installed (offshore wind energy) as a result of project implementation; etc. The NRRP at the strategic level will be monitored by SOPR, and at the project level by programmes.

X. AUXILIARY PROCESSES OF FINANCIAL INSTITUTIONS

Recently, a very rigorous treatment of auxiliary financial processes in the context of shared service centers as VAT exempt, and which were treated as a taxable Basic VAT rate and so are also treated to entities contracting these processes from abroad - such an inconsistent approach bends to hazard the development of these services in Poland for other European countries - any Ministry in this regard?

The Ministry of Finance is aware of controversies connected with VAT levied on services performer by Shared Services Centres. Mentioned issue is quite broad and complicated. Firstly, opposing interests of market stakeholders are visible, especially between companies operating on local/domestic market (Poland) and companies rendering services on foreign markets (export of services). Entities operating on Polish market are interested in the broadest possible application of the VAT exemption to mentioned services, while entities exporting those services endeavour to tax it/reduce application of this VAT exemption (what is connected with ability to deduct VAT).

The Ministry of Finance is acknowledged of aforementioned problems. For example, in February 2021 tax consultations concerning interpretation of the “management” of the investment funds in VAT have been launched. During these consultations we have received a number of opinions, confirming mentioned contradiction of opinions of various market stakeholders. Due to significant interest in the topic (many comments submitted in response) as well as the high complexity of the consulted issue, we have organized a series of meetings attended by business representatives.

In the course of the ongoing consultations, 2 substantive positions have been clarified: a number of participants opt for reduced application of VAT exemption to the service of the “management” of the investment funds (in consequence 23% VAT rate should be applied, also to Shared Services Centres activity), while the remaining part is in favour for broad meaning of “management” of these funds (and therefore for the broadest possible application of the VAT exemption to those services).

Currently, the Ministry of Finance is developing a solution, which will clearly distinguish taxable services from exempt services, taking into account Polish and EU VAT regulations, as well as the relevant case law of the Court of Justice of the European Union. However, it should be noted that no decision has been made so far whether a general ruling (binding official interpretation) or tax explanations (official clarification of complex tax issue, published of government website) will be issued in this matter. This subject is still being analysed and depends, inter alia, on the result of ongoing consultations in this area.

XI. TELEWORKING

Are there any legislation works regarding teleworking and especially its impact on Special Economic Zone activity permissions, especially now when during and after pandemic teleworking is and will be often situation among companies. If I remember correctly there was even an official letter/ask from SEZ management in that matter to the Ministry of Finance. If yes, what is the plan for implementation of any legislation changes?

Context: According to the current law, employees need to perform their work from within the special economic zone area, so it can impact the way, and the companies will not be able to consume the special economic zone. They will create the pool, they will hire the people but they will not be able to consume it. If there will be no changes in the special economic zone regarding teleworking until 3 months when the finish of the pandemic will be announced then companies will not be able to consume the special economic zone and use the benefits that they gathered by creating the new jobs.

There is a first draft of teleworking regulations and now some amendments are being discussed.

The Ministry of Finance together with the Ministry of the Development will make sure that issue of someone working from home but being hired by the company from the Special Economic Zone will be solved.

XII. REAL ESTATE INVESTMENT TRUSTS

Currently, Polish capital is present in only 3% of all transactions involving commercial property in Poland. Premier Morawiecki has announced the creation of a working group to draft a law permitting the creation of Real Estate Investment Trusts, so that Polish retail investors can profit from Polish real estate on an equal footing with citizens from countries that have REITs. Previous attempts at legislation have stalled because of concerns that REITs might lead to a speculative bubble in residential property as seen in other EU member states during the financial crisis. Do you think that any future Polish REITs should be allowed to invest in residential property or should they be limited to commercial property?

Do you think that any future Polish REITs should be allowed to invest in residential property or should they be limited to commercial property? And will the working group looking at REITs be limited to NBP, KNF, MinFin - or will private-sector market participants be invited too?

Ministry of Finance is working together with the Ministry of Development to launch this product in Poland. The debate goes between those who should be able to buy it and how? Should the Real Estate Investment Trust bonds be of the minimum value of half a million zloty to make it available only for professional and business investors to obtain?

Ministry addressed that they need to have some sort of an intermediary fund which will be buying up real estate investment trust bonds and then selling part participation units further to the retail market with an appropriate balance of risk to make sure that they don't sell everything in from one bond. In this situation the company that owns the real estate goes bankrupt for some reason, it doesn't hurt directly or the whole life savings of the consumer.

The Ministry of Development and the Ministry of Finance acknowledged the need for those solutions, and they want to process this legal act and create a safe environment for this product.

The Director of the Financial Market Development Department Ms. Przewalska confirmed that the process on this act should start in June 2021 and she suggested coming back to this dialog again after 6 months. She agreed with the conclusion that Poland need REITS founds in Poland and safety environment for that.

QUESTIONS RAISED BY THE IGGC

during the meeting (on chat)

1 When can we expect detailed information on the Central Invoice Register, who and when will be the first to introduce this system? Preparation for implementation takes us quite a lot of time and we will necessarily ask for instructions also in English, because despite the fact that they relate to the Polish market, we must commission such changes to our supporting entities in other countries. This could facilitate our work on adapting the system.

From the legislative point of view the Ministry is almost ready. The provisions are under consultations with the Ministry of Finance, and It will be soon (probably within a few weeks) presented into public consultations.

The technological issues (the invoice frame) will be also presented in English.

2. Are there any changes planned regarding the Polish Investment Zone in terms of issuing investment support decisions and tax exemption for companies investing there?

Some plans are in progress specially for smaller companies. The Estonian Tax has been already introduced so if companies can't get into investment zone they can still take the benefits from the Estonian Tax.

3. I would like to ask about the plans of the Ministry of Finance regarding taxation of the digital economy, and whether the works on taxation of media advertisement, including Internet advertisement will be continued?

After launching the draft of this project, the Ministry collected comments and suggestions on this regulation. They are also watching and relating on what is discussed on OECD Forum and the EU Forum on that topic. Ministry is in the process of analyzing comments and suggestion and does not plan to go forward now until those analyses are finished.

4. "We need to have safety" - right now, Canadian, German, British pensioners' money is safely being invested in Polish commercial real estate safely via Canadian, German and British REITs! Polish capital is being excluded from the Polish real estate market by a lack of legislation!

The Ministry started to work on this, so hopefully the lack of the regulation will be solved in the end of this year.

5. Permanent Establishment. Why Tax administration lost completely the interest in controlling such taxpayers? PE is out of the control thanks to current structure of the tax administration.

The Ministry is definitely looking at them and don't agree with that statement. They introduced a new reform in the beginning of the year – an office for large business, and along the way they centralized the service of those permanent establishments in the second Masovian tax office.

6. My question relates to the message of The Minister regarding accelerating the post Covid growth and the role that small companies can play. There are a lot of measures available in Poland to support business via grants of tax reduction. Nevertheless, all these measures require a lot of administration to have access to help. Could we have lighter procedure for start ups or small businesses to access to help?

The Ministry of Finance will discuss it with the Ministry of Development as it is their side to support the small entrepreneurs.

The Ministry of Finance is also building a separate unit for international corporate and domestic corporate to support various sectors. They plan to have separate unit for the small medium enterprises and a separate unit to look after the retail market.

Assuming, a normal structure which should have any sort of large cooperation to looking after its customer.

They want those units to have a one-stop shop for their relevant sectors to look after them, with no handover to an inappropriate place - that will bring benefit also for administration.

7. I have a question regarding Advance Pricing Agreements - there is currently a lot of them being filled and waiting for being considered by the Transfer Pricing Department of the Ministry of Finance. Can we count that some additional resources will be allocated to that task and we may expect that the process will speed up?

The process will speed up because the Ministry will change the methods and the first result should be available in the end of June.

8. Carrefour cooperates with different, small, and medium entrepreneurs. Those collaborations require a bank guarantee and financial guarantee which is difficult to obtain for small businesses. What could be done to improve the economic situation of those small and medium enterprises that already exist on the market? Is the Ministry going to financially support businesses that just would like to enter the market?

Regarding the financial support for a new entrepreneur, different actions are planned under the recovery and resilience plan for Poland sponsored by European Funds. Especially for those who would like to start a business and already existing on the market. European Funds are not the only sources. There are two other ways of support: RRF Recovery and Resilience plan and Cohesion Policy. Those actions will support the start of the businesses, diversify the currently run activity and take some actions for SIM in order to help to adapt skills and the needs of the market. The Ministry of Funds plans to do it with cooperation with entrepreneurs. Some of the funds will be done faster in the short term while others will be done slower in the long term. The activities and investments from the European social funds will be done from a long-term perspective.

ADDITIONAL QUESTIONS

RAISED BY THE IGGC

I. TAXATION OF LARGE COMPANIES AND DIGITAL LEVY

Taking into account the dynamically changing arrangements on the international arena that can have a significant impact on our economy, we would like to ask what is the position and plans of the Polish government for the taxation proposal of OECD & US/G7 of large companies and the works of the European Commission over Digital Levy? We are generally in favor of the continuation of arrangements at the OECD level.

Poland is constantly and consistently engaged in the OECD's works on fair taxation of the digitalising economy. We believe that thanks to the new US proposal on the international forum, there is a new momentum and a new, welcomed dynamic that is likely to bring us closer to a resolution on both Pillars. We still believe that an international consensus in this area is the best solution in order to achieve robust effects. We firmly believe that reaching an international consensus in this area is possible in the upcoming months.

II. POLSKI ŁAD - HEALTH CARE CONTRIBUTION

The Polish order announces a number of changes in the tax system, and including, among others, there is no possibility to deduct the health premium from the taxation of PIT. This change will result in a decrease in net remuneration of employees employed on a contract of employment contracts that will become lower than, for example, in CEE countries - Czech Republic, Hungary, Slovakia, but also UK, Denmark or even Germany. Due to large difficulties of employing qualified employees on our market, we call for the maintenance of the existing schema for health contributions for employment contracts. What is the position of the Ministry to maintain the existing scheme of the health premium for employment contracts and maintaining the competitiveness of the Polish labor market?

The COVID-19 pandemic has left a particular mark on the functioning of the health care system in Poland. As a result, there has emerged a need to significantly increase the financing of the healthcare sector. The main tool to achieve this goal is change in the settlement of healthcare contributions.

Changes in the taxation and social contribution of employment contracts should be treated as a package, within which the tax-free amount will be raised to PLN 30 thousand. Thus, it will be almost 10 times higher than five years ago. Importantly, it will apply to all taxpayers, not only those earning the lowest salaries. What is more, it is planned to raise the second tax threshold in the current tax scale. It will rise from over PLN 85 thousand to PLN 120 thousand. This means that taxpayers will de facto pay 32% tax only on the first zloty over PLN 10 thousand of their monthly income. After the reform, the number of taxpayers paying tax in the second tax threshold will drop by half. It will decrease from about 5% of taxpayers to 2.5%. This means that 620 thousand less taxpayers will pay income tax at 32% rate. These changes will level the playing field between different groups of taxpayers and ensure the implementation of social justice policies.

As part of the reform, we are unifying the rules of calculating the health contribution and removing the possibility of its deduction - both by entrepreneurs and by employees. We want everyone - regardless of the form of employment - to pay a health contribution of 9 percent of their income, and all the money from this should go to the National Health Fund. People who are self-employed should contribute as much as employees to the health care system. Today, however, although they earn more on average, they pay less than employees. It is worth emphasizing that the lack of the possibility to deduct the health contribution is a standard in Europe.

Taking into account the fact that the competition for qualified and highly paid specialists is very high, the Ministry of Finance has prepared a special Relief supporting the employment of innovative employees, thanks to which the company will be able to recognize as tax deductible costs an additional 50% of the cost

