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Proposed Retail Tax

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Retail Foods

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Report Highlights:

As of September 1, 2016, the Polish Government introduced a new law obligating retailers operating on the Polish market to pay an additional tax on retail sales. The new tax imposed on retailers had two application rates: 0.8 percent in case of revenue ranging from 17 million Polish Zloty (U.S. \$4.4 million) per month to 170 million Polish Zloty (U.S. \$44 million) per month and 1.4 percent when sales exceed 170 million Polish Zloty (U.S. \$ 44 million) per month. Sales under 17 million Polish Zloty (U.S. \$4.4 million) per month were tax-free. Revenue taken into account when calculating the new tax excluded Value Added Tax and sales between businesses. On September 19, 2016, the European Commission opened an in-depth investigation into Poland's tax on the retail sector requiring Poland to suspend the application of the tax until the Commission concludes its assessment. In reply Poland's Government suspended the implementation of the tax on September 20, 2016 and vowed to press on with some form of a new tax against big supermarkets. The new version of the retail tax proposal is expected to go through the Polish Parliament by the end of November 2016, according to Deputy Finance Minister Wieslaw Janczyk. Proposed implementation date is January 1, 2017.

General Information:

As of September 1, 2016, the Polish Government introduced a new law obligating retailers operating on the Polish market to pay an additional tax on retail sales. The new tax imposed on retailers had two application rates: 0.8 percent in case of revenue ranging from 17 million Polish Zloty (U.S. \$4.5 million) to 170 million Polish Zloty (U.S. \$44 million) per month and 1.4 percent when sales exceed 170 million Polish Zloty (U.S. \$ 44 milion). Sales under 17 million Polish Zloty (U.S. \$4.5 million) per month were tax-free. Revenue taken into account when calculating the new tax was not include Value Added Tax and sales between businesses.

The new tax did not apply to Internet sales and sales of drugs, food for special purposes (infant milk, baby milk, food for weight loss or for diabetics and gluten free), medical devices reimbursed with public funds, coal, petrol and gas for individual consumers to be used for heating purposes.

Introduction of the new law initiated a heated discussion among retail sector experts. Some retail industry experts comment that the new retail tax should provide an equal level playing field for giant trading companies and smaller Polish entrepreneurs. It is also envisaged to limit the expansion of foreign operations and restrict the transfer of profits to their native countries.

”On the one hand, the taxation of only some of the entities in the same market is not fair. On the other, the position of supermarkets and small shops is actually incomparable” - comments Associate Professor Dr. Marcin Kalinowski, Dean of the Faculty of Finance and Management at the School of Banking in Gdansk. “An additional tax on large networks will only slightly reduce the disparities between large and small shops, giving preference to smaller shops. The question is whether the government should intervene in the conditions of competition, or rather they should be regulated by the free market.”

Many experts attribute the introduction of the new retail tax to the fact that the Polish Government requires additional resources to finance new social programs introduced after Polish Parliamentary elections in 2015.

At the retail supplier level, this tax is already starting to adversely affect suppliers who face requests for re-negotiations of current terms of delivery. Part of the tax is likely to be passed on to the Polish customers; and will make their daily shopping more expensive.

On September 19, 2016, the European Commission opened an in-depth investigation into the proposed Polish tax on the retail sector. The Commission has concerns that the progressive rates based on turnover give companies with a low turnover a selective advantage over their competitors in breach of EU state aid rules. The European Commission also issued an injunction, requiring Poland to suspend the application of the tax until the Commission has concluded its assessment.

The implementation of the current tax proposal was suspended on September 20, 2016.

New version of the retail tax proposal is expected to be put to the Polish Parliament by the end of

November 2016, according to Polish Deputy Finance Minister Wieslaw Janczyk.

For additional information on the Polish retail sector please refer to FAS/Warsaw GAIN [Retail Sector Report](#) also available at www.fas.usda.gov – Data and Analysis - Attaché GAIN Reports link.

End of Report.