



## EUROPEAN PARLIAMENT

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DIRECTORATE-GENERAL FOR RESEARCH  
DIRECTORATE A  
DIVISION FOR INTERNATIONAL AND CONSTITUTIONAL AFFAIRS

### FACTSHEET

**POLAND**

**Chapter 10 - Taxation**

#### 1. The *acquis* <sup>1</sup>

The *acquis* in this chapter mainly covers indirect taxation, particularly VAT and excise duties, while on direct taxation it is limited to legislation on corporate taxation. On the whole, the candidate countries have an indirect taxation system close to that of the EC.

**VAT** was introduced in 1970 by the first and second VAT Directives. The decision on own resources for the EC led to the harmonisation of VAT. The sixth VAT directive (77/388/EEC) harmonised the basis and the assessment basis and is still the main body of law for VAT, laying down all Community definitions and principles, while leaving a number of options to Member States.

The *acquis* in the area of **excise duties** covers harmonised legislation on mineral oils, tobacco products and alcoholic beverages. The legislation lays down the structure of the duty and minimum rates. Duty is payable to the Member State in which the product is consumed. All fiscal controls at the Community's internal frontiers were abolished in 1993.

Legislation in the area of **administrative cooperation and mutual assistance** provides instruments to circumvent tax evasion and avoidance across the frontiers of Member States by information gathering and exchange.

The **direct taxation** *acquis* concerns some aspects of corporate taxation and capital duty such as administrative cooperation between tax authorities and removing obstacles to cross-frontier business activities. There is also a code of conduct for business taxation.

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<sup>1</sup> Information largely drawn from the European Commission, DG Enlargement  
<http://europa.eu.int/comm/enlargement/negotiations/index.htm>

## 2. The negotiations

The chapter has been closed with ten countries and provisionally closed with Bulgaria, while it remains open with Romania. Most countries have provided a timetable for full alignment for VAT and excise duties and have declared during the negotiations that they accept and will apply the principles of the code of conduct for business taxation. The Commission is analysing the candidate countries' legislation in order to identify potentially harmful practices not in line with the code.

All candidate countries have requested transitional measures and a limited number of derogations, mostly as regards VAT and excise duties. One country has requested a transitional period in the area of business taxation. The level of rates of tax or duty has been the most contentious issue as excise duty in particular tends to be much lower in the candidate countries. Governments fear the economic and social implications and, hence, the political consequences of sharp tax rises on socially-sensitive goods such as cigarettes, and all have therefore asked for transitional periods on particular goods or services to allow for a longer period of adjustment. For its part, the EU has considered both the need to safeguard the proper functioning of the internal market and the political, social and economic impact in the candidate countries. Thus, some transitional measures of relatively short duration have been accepted.

**Chapter opened**      November 1999

**Status**                closed in December 2002 (provisionally closed in March 2002)

**Transitional arrangements requested:**

- Zero VAT rate on books;
- Reduced VAT rates on restaurants;
- Level of VAT turnover threshold for SMEs;
- Lower excise duty rate on cigarettes;
- Technical transitional period on excise duties
- Reduced VAT rate on construction
- Super-reduced VAT rate on agriculture inputs, excluding machinery
- VAT exemption on international passenger transport.

## 3. Latest assessment of the European Commission <sup>1</sup>

In its 1997 Opinion, the Commission concluded that there should be no significant difficulties with regard to the *acquis* for direct taxation and that in so far as indirect taxation was concerned, Poland would be able to comply with the *acquis* in the medium term provided significant efforts were made. Finally it noted that it should be possible to start participating in mutual assistance once the tax administration developed its expertise in this respect.

Since the Opinion, significant efforts have been made and Poland has made real progress in this field, most noticeably with respect to legislative alignment (although the Code of Conduct for Business Taxation remains an essential issue requiring attention), but also, to varying degrees, with respect to its administrative capacity. As a result Poland, has achieved a reasonable level of alignment with the *acquis* and moderate development of the necessary implementing capacity.

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<sup>1</sup> European Commission, Regular Report on Poland, pp. 81 & 82:  
[http://www.europa.eu.int/comm/enlargement/report2002/pl\\_en.pdf](http://www.europa.eu.int/comm/enlargement/report2002/pl_en.pdf)

Negotiations on this chapter have been closed provisionally. Poland has been granted transitional periods until 31 December 2007 for the continued application of the reduced VAT rate on the supply of restaurant services and the VAT zero-rate on the supply of books and specialist periodicals. Poland has been granted, for an indefinite period of time, the right to apply a VAT registration and exemption threshold of € 10 000 for small and medium-sized enterprises. Poland has been granted a transitional period until 31 December 2008 to gradually reach the Community minimum excise duty levels on cigarettes. Poland was granted a one-year technical transitional period for the application of a reduced excise duty rate on ecological fuels (petrol manufactured with anhydrous alcohol, gas oil with a low sulphur content and petrol containing ethyl butyl alcohol).

Poland is generally meeting the commitments it has made in the accession negotiations. In order to complete preparations for membership, Poland's efforts now need to focus on finalising its legislative alignment, in particular on VAT (except for those areas where transition arrangements have been agreed), duty rates and intra-community transactions, and making the necessary efforts to finalise the establishment of the necessary administrative capacity (information technology in particular) for VAT and even more so for excise duties.

January 2003