

Large companies to file income tax reports

I. Reports on income tax information will have to be prepared

A draft bill amending the Accounting Act and the Act on certified auditors, audit firms and public oversight, the purpose of which is to implement EU Directive 2021/2101, has been submitted for consultation. It requires large multinational companies (ultimate parent companies and standalone companies with, respectively, consolidated revenues – for ultimate parent companies – and revenues – for standalone companies, in excess of EUR 750 million in two consecutive years) with their registered offices in the EU, as well as multinational companies from outside the EU that operate in the EU through a branch or subsidiary, to publicly disclose information about the income taxes they have paid, as well as other country-by-country tax related information (“report on income tax information”).

II. New regulations for companies with revenues in excess of 750 million euro

The amendments impose the requirement to prepare a report on income tax information on all large multinational companies with registered offices or managements in the territory of the Republic of Poland, as well as multinational companies from outside the EU operating in the territory of the Republic of Poland through a branch or subsidiary. This applies to ultimate parent companies and standalone companies with, respectively, consolidated revenues – for ultimate parent companies – and revenues – for standalone companies, in excess of EUR 750 million in two consecutive years.

III. New definitions of parent and standalone companies

The new regulations will introduce definitions of ultimate parent company, standalone company and tax jurisdiction to be used for the purposes of reports on income tax information. Ultimate parent company will be defined as a parent company that prepares the annual consolidated financial statements of the largest possible number of related group companies. Standalone companies will be defined as companies that are not part of a group. Whereas tax jurisdiction will mean the jurisdiction of a state or territory.

CIT taxable persons will have to file reports on where and what income taxes they pay. This is to be introduced by amendments to the Accounting Act, a draft of which has just been submitted for consultation. Entities will be required to prepare an income tax report for the first time for their first financial year starting after 21 June 2024.



IV. Determination of revenue different depending on application of IAS

The bill defines revenue for the purposes of setting the revenue threshold above which companies will be required to prepare reports on income tax information. The proposed regulation contains two definitions of revenue for setting the revenue threshold: the first – for companies with their registered office or management in the territory of the Republic of Poland, which do not apply IAS (International Accounting Standards), and the second – for other companies. Under those definitions, revenue is net revenue from the sale of finished products and goods for resale – for companies with their registered office or management in the territory of Poland, which do not apply IAS. For other companies – revenue as defined by or within the meaning of the financial reporting framework on the basis of which the financial statements are prepared.

V. New requirement to apply to all entities with revenues in excess of PLN 3,5 billion

The amendments introduce a catalog of entities required to prepare reports on income tax information. Such reports will be prepared by domestic ultimate parent companies and standalone companies (that are limited companies, partnerships limited by shares, as well as those general partnerships and limited partnerships all of whose limited liability shareholders are limited companies or partnerships limited by shares, or companies from other states with a similar legal structure), whose consolidated revenues for each of the last two consecutive financial years exceed PLN 3,5 billion. The reports will be prepared as at the balance sheet date and in respect of the latter of the two financial years. The amount of PLN 3,5 billion was set by translating EUR 750 million into PLN using the official exchange rate as of 21 December 2021 rounded off to the nearest thousand.

VI. No reports to be prepared by entities operating exclusively in Poland

The bill allows for the non-preparation of reports on income tax information in accordance with the Accounting Act in a situation when: a standalone company, including its branches, or an ultimate parent company and all of its subsidiaries and their branches, have their registered office, fixed places of business or permanent business activity exclusively in the territory of the Republic of Poland, as well as when a standalone company or ultimate parent company discloses a report in accordance with the requirements of Banking Law, providing that the report contains information on all of the activities of the standalone company or all of the activities of all of the related entities included in the consolidated financial statements prepared by the ultimate parent company.

VII. Reports to be prepared within 12 months of the balance sheet date

The new regulations provide that the report on income tax information will have to be submitted to the National Court Register (KRS) (publication) within 12 months of the balance sheet date as at which the report was prepared, with the following to be submitted at the same time: refusal to sign the report and declaration that the report meets the requirements of the act, or refusal to submit the report if prepared. In addition, the report must simultaneously be published (made accessible) on the company's website and remain there for at least 5 years.



VIII. Reports to contain detailed data about the entity and the CIT it pays

The amendments specify the scope of information to be disclosed in the report on tax information prepared as at the balance sheet date in respect to a given financial year. Among others, this information includes a detailed description of the company (including the number of employees on a full-time equivalent basis), revenues (including from related parties), the amount of profit or loss before income tax, the amount of income tax that constitutes the current tax expense, the amount of income tax paid in a given tax jurisdiction, and the amount of accumulated profits from previous years at the end of the given financial year, including the amount of profits from previous years and profit for the year, the distribution of which has not yet been decided upon. With regard to branches, accumulated profits from previous years shall mean the accumulated profits from previous years of the company that opened the given branch.

IX. Auditors to confirm if the entity is subject to new requirements

Further to the introduction by Directive 2011/250 of a new reporting requirement in the form of the report on income tax information, certified auditors and audit firms have been obligated to confirm in the audit report whether, for the financial year preceding the financial year for which the audited financial statements were prepared, the given company was required to publish a report on income tax information and, if so, whether the report was published. Companies will be required to prepare a report on income tax information for the first time for their first financial year beginning after 21 June 2024. The report is to pertain to the financial year preceding the financial year for which the audited financial statements were prepared. This means that the first time an auditor will have to state whether a company was required to submit a report on income tax information to KRS and whether it has in fact complied with this requirement, when auditing the financial statements for 2026.



EDYTA KALIŃSKA
Head of Audit Department,
West Region,
Polish Certified Auditor
tel.: +48 61 622 57 00
Edyta.Kalinska@bdo.pl



The information presented herein does not constitute comprehensive information or opinion. Consult your adviser before making any decisions.

BDO is an international network of independent audit and advisory firms. Service provision within the BDO network is coordinated from the Brussels global office. BDO's beginnings go back to 1963. We have been present in Poland since 1991. We have 5 offices in: Warsaw, Kraków, Poznań, Wrocław and Katowice.

BDO has for years been recognized in prestigious rankings of the activities performed by its Audit and Tax Advisory Departments, including most recently:

The last distinctions for the company are related to the Rankings:
Companies and Tax Advisors of Dziennik Gazeta Prawna for 2021:

■ 1st place The Best Tax Advisor in the category of medium-sized companies

The 2021 rankings prepared by the Rzeczpospolita and Parkiet dailies:

■ 3rd Most Active Firm on the Stock Exchange

■ 4th Best Audit Firm

■ 5th Best Auditor of Listed Companies

BDO spółka z ograniczoną odpowiedzialnością sp.k., ul. Postępu 12, 02-676 Warszawa;
tel.: +48 22 543 1600, fax: +48 22 543 1601, e-mail: office@bdo.pl