

Support for refugees from the Ministry of Finance

I. Refugees will not pay Polish inheritance and gift tax

The Council of Ministers has adopted a draft bill that regulates assistance to the citizens of Ukraine in connection with the military conflict in that country. The bill was immediately sent to the Sejm. It also contains tax solutions. Among others, it provides that Ukrainian citizens who come to Poland will not pay any inheritance and gift tax on the aid they receive. The exemption will apply to the acquisition of ownership of property or property rights through a donation or donor instructions. It will include aid from both natural persons and NGOs. It is not limited in amount and its application will not involve any formalities on the part of the refugees, which means that they will not need to report to tax offices. The preference will be in effect from 24 February to 30 June 2022.

II. Provisions on free benefits will not apply to refugees

The new regulations provide that Ukrainian citizens coming to Poland due to the war will be exempt from income tax (PIT) on benefits received from natural persons and companies. The exemption will cover all benefits irrespective of type, i.e. in cash, in kind, as well as free benefits. The exemptions is not limited in amount. As a result, refugees will not pay PIT on, for example, assistance that consists of the provision of room, board and medical care. Thus they will not be subject to the Polish regulations on so-called free benefits. The preference will be in effect from 24 February to 31 December 2022.

As a result of the war between Russia and Ukraine and the growing number of Ukrainian citizens escaping its effects to Poland, the Ministry of Finance has implemented a package of new exemptions and preferences for both the refugees and the Polish citizens and companies that help them. They are all temporary in nature.



III. Allowance for those who accept Ukrainians into their homes exempt from PIT

The new bill also contains favorable tax solutions for the individuals and companies that provide assistance to Ukrainian citizens who flee the war to Poland. One of such solutions is an exemption from taxation (both PIT and CIT) of cash allowances paid to taxable persons who help refugees. This includes those who open their homes to Ukrainian war refugees and will receive from the state additional funds for each refugee. Under the preference, such funds will be tax-exempt. This is because the bill provides that based on an agreement concluded with the relevant municipality, anyone who houses a refugee from Ukraine will receive a specified amount per refugee for a maximum of 60 days. The government has announced that it will probably be PLN 40 per person. The details, including the amounts, are to be provided in a relevant decree.

IV. All expenses incurred to help refugees will be tax-deductible

The bill further provides for favorable solutions for companies that provide aid to Ukraine through a wide spectrum of organizations, including NGOs and local governments. The preference makes it possible to include such expenses in tax-deductible costs (for both PIT and CIT). This will include expenses incurred for the production or acquisition of property and rights transferred as part of such aid, as well as costs incurred to provide free benefits (such as free medical care). The preference will be in effect from 24 February to 31 December 2022. As a result, such expenses will become a tax-deductible cost even though they are in no way related to business operations.

V. 0% VAT for aid-related donations

The minister of finance has issued a special decree that introduces the rate of 0% for free supplies of goods or services for purposes related to aid for victims of the war in Ukraine (2022 Journal of Laws, item 531). The rate of 0% VAT applies to all types of supplies that may turn out to be necessary to support those victimized by the conflict. The preference pertains to benefits offered to entities that are a significant link in the organization and distribution of aid to the victims. In consequence, the reduced VAT rate applies to supplies made to: the Strategic Reserves Agency, health care providers and local governments, i.e. entities that act as key coordinators and agents in the provision of aid. The rate of 0% applies to benefits provided starting from 24 February, i.e. from the start of Russia's invasion of Ukraine. The decree is temporary in nature, it allows for the rate of 0% to be applied to the specified transactions up until 30 June 2022.



VI. Preferential rate of VAT based on agreement or declaration

The rate of 0% arising out of the minister's of finance decree will apply on the condition that a written contract is concluded between the taxable person and one of the entities described in the provisions, indicating that the supplied goods or services will be used to help those affected by the war in Ukraine. A donation contract may take the form of an electronically signed declaration of intent, or scan of a handwritten contract signed by the donor, sent via e-mail to the recipient of the free supply. Such documents should also be signed by the recipients of the supplies. The documentation should clearly show that appropriate declarations of intent have been submitted by both sides.



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