

# End of June is the CIT-8E and APA-C filing deadline

## I. APA-C must also be filed by the CIT return deadline

In accordance with the provisions of the Act of 16 October 2019 on the resolution of disputes regarding double taxation and on the conclusion of advance pricing agreements (2019 Journal of Laws, item 2200), taxable persons who have been issued advance pricing agreements (APA) submit a statement (form APA-C) to the Head of National Tax Administration on the performance of the agreement for each tax year covered by the agreement, by the deadline for the filing of their annual tax return. Ordinarily the deadline for the filing of such information would therefore be the end of March (for taxable persons whose tax year is concurrent with the calendar year). As a result, the deadline for the filing of APA statements (form APA-C) has by law been extended until 30 June 2022.

## II. APA replaces transfer pricing documentation

In accordance with Polish regulations, an advance pricing agreement (APA) is a decision in which the transfer price of a controlled transaction is agreed on terms that would have been agreed between unrelated entities. Such decisions are issued by the Head of National Tax Administration (Head of KAS) at the request of a taxable person (related party). Matters related to issuing advance pricing agreements are currently regulated by the Act of 16 October 2019 on the resolution of disputes regarding double taxation and on the conclusion of advance pricing agreements (2019 Journal of Laws, item 2200). Its provisions went into effect at the end of November 2019. In addition to those regulations, matters not regulated by that act - are also subject to the provisions of the Tax Ordinance. Where an advance pricing agreement (APA) has been concluded, the taxable person who is a related party is not required to prepare transfer pricing documentation (it is replaced with the APA).

CIT taxable persons taxed with flat-rate tax on corporate income (so-called Estonian CIT) must file year-end returns. For most taxable persons, the deadline for the filing of 2021 returns is the end of June 2022.

Information on the performance of advance pricing agreements must also be filed by that date.



### III. Estonian CIT taxable persons submit annual CIT-8E

Under the general provisions of the CIT Act, those taxed with so-called Estonian CIT are required to file a declaration, on the designated form, on the amount of income earned for the previous tax year. This should be done by the end of the third month of the tax year. However, the minister's of finance decree of 17 March 2022 extending the deadlines for the performance of certain corporate income tax obligations, published in the Journal of Laws in item 639, extended until 30 June 2022 the deadlines for the filing of: CIT-8 and CIT-8AB returns for the tax year ended in the period from 1 December 2021 to 28 February 2022; CIT-8E returns for the tax year ended in the period from 1 December 2021 to 28 February 2022; information CIT/KW by companies whose first year of taxation with Estonian CIT began in the period from 1 January 2022 to 1 March 2022. This is the first year in which CIT-8E will be filed.

### IV. Estonian CIT returns must be filed by end of June

CIT-8E is a declaration on the amount of income earned and flat-rate tax due on corporate income. It is a form designated for those companies that are taxed with flat-rate tax on corporate income (so-called Estonian CIT). In 2021 this form of taxation was available to taxable persons who conducted operations as a limited liability company or joint-stock company. Form CIT/EZ is an attachment to CIT-8E. They should be filed using electronic means of communication in accordance with the provisions of the Tax Ordinance. Form CIT-8E (version 1) is applicable starting with tax years beginning after 31 December 2020.

### V. Estonian CIT must only be paid if income distributed

It should be noted that in accordance with the provisions of the CIT Act, a taxable person (unless filing for the last year of taxation with flat-rate tax), who has earned income resulting from net profit and in the period following the end of taxation with flat-rate tax distributes all or part of that income is required to file a CIT-8E return and pay the tax due on the value of the distributed income by the 20th day of the month following the month of the distribution. If the distribution of income from net profit occurred after the sixth month of the tax year, it is treated as if it occurred on the last day of that sixth month.



## VI. Employee data must be presented in addition to CIT-8E

Information CIT/EZ is an attachment to form CIT-8E. It, therefore, has the same filing deadline. It is used to provide information about employment and salaries. In this context it should be noted that the taxable person's shareholders/partners are not included in the minimum level of employment. In addition, the condition relating to the incurrence of monthly expenses at an amount equal to at least three times the value of the average monthly wage is considered met if in connection with the payment of those wages the taxable person has an obligation to collect personal income tax advances and ZUS premiums. The expenses should be incurred in each month of the tax year. In accordance with binding regulations, the taxable person should also have no fewer than 3 employees who are not shareholders/partners, employed on the basis of a contract of employment for at least 300 days out of the tax year. Where the taxable person's tax year is not concurrent with the calendar year, the period of 300 days is adapted proportionally.



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## VII. Additional conditions for other forms of employment

To meet the condition pertaining to employment (of which the taxable persons informs in attachment CIT/EZ), the taxable person can also employ 3 natural persons based on an agreement other than a contract of employment. In such situations, however, two other conditions must also be met. The taxable person must incur monthly expenses at an amount equal to at least three times the value of the average monthly wage in the business sector for the payment of wages to those employed based on an agreement other than a contract of employment, who are not the taxable person's shareholders or partners. In connection with the payment of those wages the taxable person must have an obligation to collect personal income tax advances and the premiums specified in the Social Insurance System Act of 13 October 1998.

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

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