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# News Flash

August, 2016



**Limitation of cash settlements in  
business operations, in Poland**

## Any transactions between companies, worth more than PLN 15,000, will have to be done via a bank account

Starting January 1<sup>st</sup> 2017, in all transactions exceeding PLN 15,000 (gross amount including VAT) entrepreneurs will be obliged to settle their business liabilities through a bank account. Even though the term “transactions” has not been defined, it seems that a “transaction” should be understood as a contract for provision of goods or services entered into between entrepreneurs, in relation to their business operations. As follows from the new regulations, the PLN 15,000 threshold relates to the entire contract (“transaction”), irrespective of the number of payments made under the given contract.

### What happens with foreign currency transactions

Where transactions are expressed in foreign currencies, they should be converted to PLN using the average exchange rate announced by the National Bank of Poland on the last business day preceding the day of the transaction.

### Penalties, deadlines and restrictions

Penalties will be imposed on the taxpayers of both personal and corporate income tax violating this obligation. Under these new regulations entrepreneurs who made cash payment exceeding PLN 15,000 in transactions where a bank transfer was required, will not be allowed to treat this expense as a tax deductible cost. In the event where the given expense had already been treated as a tax deductible cost (before it was settled), but due to its settlement in cash it cannot be treated as a tax deductible expense, the taxpayer will be obliged to decrease the tax deductible costs by this amount.

Please note that at present, cash payments are limited to the PLN equivalent of EUR 15,000, so starting from next year the limit is going to be reduced significantly. Moreover, **under current tax regulations there are no penalties for taxpayers violating this limit.**

The restrictions on the tax deductibility of expenses mentioned above shall apply to payments made from the first tax year commencing after December 31, 2016. However, they should not apply to payments relating to transactions (contracts) executed before January 1<sup>st</sup>, 2017, provided that the transaction value did not exceed a PLN equivalent of EUR 15,000 (the current threshold). Moreover, the taxpayer will not be obliged to decrease tax deductible costs by the amounts paid in cash over this PLN 15,000 limit, in case where these expenses were treated as tax deductible before January 1<sup>st</sup>, 2017.

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## About the author

Agata Niezychowska has over 15 years of experience in tax consulting acquired while working for one of the Big 4 companies and renowned international law firms, where she provided comprehensive and permanent tax support to entities from the real estate sector, energy sector, including renewable energy, pharmaceutical companies, FMCG, media and advertising entities, as well as investment funds.

She has extensive experience in terms of comprehensive tax reviews, including pre- and post-transaction due diligence and tax compliance. Agata managed numerous projects involving international tax planning, developing tax efficient investment schemes and business models. Her experience also includes comprehensive tax advice in projects carried out in the form of public-private partnerships as well as operating in special economic zones.

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