

/ European Commission questions Polish turnover-based tax on the retail sector

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The European Commission has initiated an investigation into the Polish turnover-based tax on the retail sector. The Commission has also ordered Poland to suspend application of this tax until the end of its assessment. This is the consequence of the decision taken by the Commission in July 2016 on a Hungarian progressive turnover-based tax on the retail sector, which the Commission found to be in breach of the European regulation about state aid due to the fact that the tax granted a selective advantage to companies with lower turnover over their competitors.

The turnover-based tax on the retail sector has a progressive character, which includes three different rates and thresholds: a 0% tax rate, applicable to the part of company's monthly turnover below PLN 17 million (approximately EUR 3.92 million), a 0.8% tax rate, applicable to the part of company's monthly turnover between PLN 17 million and PLN 170 million (approximately EUR 39.2 million) and a 1.4 % tax rate, applicable to the part of company's monthly turnover over PLN 170 million.

The Ministry of Finance admitted that it had for several weeks been expecting the European Commission to state its position on this case and that there had been some correspondence in this matter between the Polish Office for Competition and Consumer Protection (UOKiK) and the Polish representation in Brussels.

The Ministry of Finance has considered a positive option, i.e. proceedings by European Commission being discontinued, as well as a negative option. The Ministry of Finance has prepared an alternative plan for the latter scenario. According to this plan, the Ministry will suspend collection of the turnover-based tax on the retail sector in current form and present a reformulated draft bill. This tax will be introduced on 1 January 2017, according to Finance Minister Paweł Szałamacha.

For more information also see: [Tax on retail sales adopted by Polish government](#) and [Introduction of retail tax in Poland](#)

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