

## Tax Alert

Warsaw, 30 May 2023



### (NO)NEWSLETTER

The issue of taxing “wholesale” apartment purchases resurfaced on Friday 26 May 2023. Poland's Lower House, the Sejm, held another reading of the proposed amendment to the Real Estate Management Act, which included a provision on taxing such purchases. Specifically, the amendment provides for a **6% civil law transactions tax (CLTT)** on the purchase of a **sixth or subsequent apartment on a single land property**, whether in one or multiple buildings. These changes are **not expected to have a major impact on PRS funds**.

### Additional Taxation Rules

According to the proposed amendment, the **obligation to pay an additional 6% CLTT** will apply to the purchase of at least **six apartments** if the following conditions are met jointly:

- apartments are located in one or multiple buildings on a **single land property**;
- apartments constitute **separate properties**.

Additional taxation will also apply in the case of **purchasing new residential properties** – in addition to VAT, which means that **the same transaction will be taxed simultaneously with VAT and CLTT**.

### Exemption for First Apartment Purchase

The proposed changes provide for the **abolition of 2% CLTT** in the case of **individuals** purchasing **their first apartment** on the secondary market.

### Legislative Stage

The amendment introducing additional taxation was submitted and adopted **only after the second reading** in the Sejm, at a Sejm committee meeting on 26 May. According to the information on government websites,<sup>1</sup> the Sejm adopted the proposed amendment on the same day. Therefore, the amendment will now be reviewed by the **Senate**.

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<sup>1</sup> Source: <https://www.gov.pl/web/rozwoj-technologie/od-uzytowania-do-wlasnosci--nowe-przepisy-dla-przedsiębiorców-oraz-rewolucja-w-pcc-przyjęte-przez-sejm> [access: 30 May 2023].

## Impact on PRS Funds

The proposed changes pertain to the **taxation of private rented sector (PRS) funds**, which has been in the works for several months.

However, the language of the proposed amendment suggests that additional taxes will only apply to the purchase of **individual apartments that constitute separate properties** at the time of the transaction. Therefore, if buyers (including PRS funds) acquire the **entire building** (without separating the apartments), they should not incur additional taxation.

At the same time, the previously announced vacancy tax and restrictions on purchasing multiple apartments (limiting entities with at least five apartments to only one apartment purchase per year) **have been put on hold**.

**Please note that the proposed regulations are subject to change and if you have any questions regarding this matter, feel free to get in touch with us.**



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