

ANTI-INFLATION SHIELD 2.0 – REDUCTION OF VAT RATES

As part of the fight against rising inflation, the Polish government has presented plans to reduce VAT rates for food and energy. The new solutions will apply from February 1 to July 31, 2022.

ZERO VAT RATE ON BASIC FOOD PRODUCTS

One of the main changes announced is the reduction of the VAT rate to 0% on basic food products. This is to stop the rise in food prices, which is one of the severe effects of inflation.

The 0% VAT rate will apply to food products currently taxed at 5%, i.e. meat and fish and their products, dairy products, vegetables and fruit and their products, cereals, milling industry products, cereal preparations and bakery products, some drinks.

REDUCTION OF THE VAT RATE ON FUEL TO 8%

In December 2021, the excise tax was reduced, which limited the increase in fuel prices. Now a VAT reduction is planned from 23% to 8% from February 1, 2022. The reduction of the VAT rate is to apply to motor fuels, i.e. diesel oil, biocomponents, motor gasoline, liquefied LPG, used to drive motor vehicles.

ZERO VAT RATE ON GAS

As part of the first Anti-Inflation Shield, the VAT rate on gas was reduced from 23% to 8% from January 1, 2022. Now, from February 1, another reduction of the VAT rate is planned, from 8% to 0%.

EXTENSION OF THE 5% REDUCTION IN VAT ON ELECTRICITY

By the regulation of the Minister of Finance of December 17, 2021, the VAT rate for electricity was reduced from 23% to 5%. As part of the planned amendment to the VAT Act, the reduced VAT rate for electricity at the level of 5% will be maintained until July 31, 2022.

REDUCTION OF VAT ON HEAT UP TO 5%

As of January 1, 2022, the solutions of the Anti-Inflation Shield have lowered VAT on heat from 23 to 8%. The next steps are the reduction of VAT from 8% to 5% from February 1 to July 31, 2022.

ZERO VAT RATE ON FERTILIZERS

From February 1, 2022 to July 31, 2022, the VAT rate on fertilizers will be reduced to 0%. The reduction of the VAT rate will apply to goods used in agricultural production, which are currently subject to a rate of 8%, i.e. fertilizers, plant protection products, horticultural soil, as well as products supporting agricultural production.

APPROVAL OF THE EUROPEAN COMMISSION

It follows from the justification of the amendment to the VAT Act that the draft act is not subject to submission to the competent authorities and institutions of the European Union in order to obtain approval for a reduction in VAT rates. However, the Prime Minister of the Polish government had previously announced that he had sent a request to the European Commission for consent to the application of, inter alia, zero VAT on basic food products.

This document has been prepared for information purposes only and covers general nature. Before taking any action based on the above information, we recommend that you obtain a valid opinion of TPA experts.

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