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# News Flash

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**Polish Anti-inflation Shield 2.0. - decrease of VAT rates**

## Polish Anti-inflation Shield 2.0. - decrease of VAT rates

The Polish government has prepared another amendment to the VAT Act called “Anti-inflation Shield 2.0. . The introduced package of tax changes intends to deal with rising inflation. The bill would cut VAT rates on food, gas and fertilizers to 0%, on electricity and heat to 5%, on fuel to 8%.



The President signed the amending act and the new regulations are in force from **February 1st**

### 0% VAT rate for food

**Based on the amending act, in the period from 1 February 2022 to 31 July 2022**, the VAT rate for foodstuffs listed in items 1-18 of Annex 10 to the VAT Act (other than services related to catering - PKWiU 56) will be 0%.

**In result, 0% VAT rate will apply to food products that are today subject to 5% VAT rate.**

The reduction in the VAT rate will apply to the following groups of goods:

Code CN	Name of goods
2	Meat and edible meat offal
ex 03	Fish and crustaceans, molluscs and other aquatic invertebrates – excluding lobsters and octopus as well as other goods covered by the CN codes 0306 to 0308
4	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
0504 00 00	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof, fresh, chilled, frozen, salted, in brine, dried or smoked
7	Edible vegetables and certain roots and tubers
8	Edible fruit and nuts; peel of citrus fruits or melons
10	Cereal grains
11	Products of the milling industry; malt; starches; inulin; wheat gluten
ex 12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder – exclusively products for human consumption
ex 15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes – exclusively edible

Code CN	Name of goods
ex 16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates, excluding: <ul style="list-style-type: none"> <li>▪ caviar or caviar substitutes covered by CN code 1604</li> <li>▪ preparations of lobsters and octopus as well as of other goods covered by CN codes 1603 00 and 1605</li> </ul>
19	Preparations of cereals, flour, starch or milk; pastrycooks' products
ex 20	Preparations of vegetables, fruit, nuts or other parts of plants - excluding products of an actual alcoholic strength by mass exceeding 1,2%
2104	Soups and broths and preparations therefor; homogenised composite food preparations
2105 00	Ice-cream and other edible ice, whether or not containing cocoa
ex 2106	Fats composed of plant products and/or animal products (mixes), cheese-like products (cheese analogues) and infant formulae, including infant milk, infant follow-on formulae, including follow-up milk, milk and modified milk for children, as referred to in the Act of 25 August 2006 on Safety of Food and Nutrition
ex 2202	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, excluding fruit or vegetable juices covered by CN 2009 item – exclusively the following products: <ul style="list-style-type: none"> <li>▪ yoghurts, buttermilk, sour milk and milk not covered by Section CN 04, excluding products containing coffee and extracts, essences or concentrates thereof</li> <li>▪ non-alcoholic beverages in which the mass content of fruit, vegetable or fruit and vegetable juice accounts for at least 20 per cent of the ingredients</li> <li>▪ infant formulae, including infant milk, infant follow-on formulae, including follow-up milk, milk and modified milk for children, as referred to in the Act of 25 August 2006 on Safety of Food and Nutrition</li> <li>▪ the following products not containing the products covered by CN items 0401 to 0404               <ul style="list-style-type: none"> <li>- soy-based beverages of the protein content by mass of 2.8 per cent or higher (CN 2202 99 11)</li> <li>- soy-based beverages of the protein content by mass lower than 2.8 per cent; nut-based beverages covered by Section CN 08, cereal grains covered by Section CN 10 or grains covered by Section CN 12 (CN 2202 99 15)</li> </ul> </li> </ul>
regardless CN	Dietary foods for special medical purposes referred to in the Act of 25 August 2006 on Safety of Food and Nutrition

### 0% VAT rate for fertilizers and horticultural soil

From 1 February 2022 to 31 July 2022, the VAT rate for soil conditioners, growth promoters and growing media is also to be reduced. Additionally, 0% VAT rate will cover fertilizers and plant protection products normally intended for use in agricultural production.

However, decrease of VAT rate will not apply to mineral substrates.

It should be noted that the VAT rate reduction on horticultural soil to 0% will be also applicable in the abovementioned period.

### 0% VAT rate for gas

The set of new measures assuming that for the period from 1 February 2022 to 31 July 2022 VAT on natural gas will drop to 0% (falling within CN codes 2711 11 00 or 2711 21 00).

### 5% VAT rate for electricity and heat

For electricity (falling within CN code 2716 00 00) and heat, the VAT rate will be 5% for the period from 1 February 2022 to 31 July 2022.

### 8% VAT rate for fuel

The Polish legislator also reduces the VAT rate to 8% on the following fuels:

- engine gasolines (CN 2710 12 45 or 2710 12 49) and products made from blending these gasolines with bio-components
- gas oils (CN 2710 19 43 and 2710 20 11) and products made by blending these oils with bio-components
- bio-components which constitute self-contained fuel intended for internal combustion engines
- for internal combustion engines, natural gas (wet) and other gaseous hydrocarbons (CN 2711, excluding CN 2711 11 00 and 2711 21 00) and aliphatic gaseous hydrocarbons (CN 2901), liquefied.

## Exclusions

The bill provides for certain exclusions. The 0% rate will not apply to import of goods, which are subject to distance sale of imported goods (*Art. 138i sec. 1 of the Polish Value Added Tax Act of 11.03.2004 r.*). The proposed VAT rate for gas, electricity and heat will not apply in cases where the indicated goods benefit from tax exemption.

## Information provided by vendors

According to the draft act, vendors are obliged to provide notice of the above VAT rate reductions.

**The vendor who sells foodstuffs** for which the VAT rate has been reduced to 0% will be obliged to place at the cash register in the premises where such foodstuffs will be sold a legible notice that from 1 February 2022 to 31 July 2022 the sale of such foodstuffs is subject to the reduced VAT rate of 0%.

**The vendor of fuels** for which the VAT rate has been reduced to 8% will be obliged to place a legible notice at the cash register in the premises where the sale of such motor fuels is carried out, stating that from 1 February 2022 to 31 July 2022 the sale of such motor fuels is subject to the reduced VAT rate of 8%.

**The vendor of fertilizers and horticultural soil**, for which the VAT rate has been reduced to 0%, will be obliged to place at the cash register in the premises where the sale of these goods used for agricultural production is made, a legible information that from 1 February 2022 to 31 July 2022 the sale of these goods used for agricultural production is subject to the VAT rate reduced to 0%.

**The vendor of natural gas, electricity and heat**, for which the VAT rate has been reduced to 0%, will be obliged to provide the purchaser with information on reduced rates of VAT concerning these goods:

- by each time this information is attached to the invoice or other document from which the payment of the amount due for such goods results, or
- separately, in case the invoice or other document from which the payment of the amount due for such goods results is sent later than within 2 months from the date of entry into force of the Act.

Due to the preferential nature of discussed measures, we do not expect major changes at the stage of further legislative work.

Should you have any doubts, we encourage you to contact our experts.

### Disclaimer

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