

# Understanding Taxes When Investing in Polish Real Estate – What You Really Pay

## A practical tax guide for foreign property investors in Poland - VAT, income tax, PCC, and legal strategies to avoid overpaying

Buying property in Poland? Great. But how much will you *really* pay in taxes?

Spoiler: it's not just VAT. There are at least **five different taxes and fees** that can hit you – unless you know the rules.

This guide will walk you through all the major tax obligations foreign investors face when buying, owning, or selling real estate in Poland – and how to legally reduce them.

### 1. VAT - Only on New Properties, But Still Confusing

VAT (Value-Added Tax) applies only to new properties sold by developers or businesses.

- **8% VAT**: residential flats or houses up to 150 m<sup>2</sup> (flats) or 300 m<sup>2</sup> (houses)
- **23% VAT**: anything bigger or non-residential (e.g. office, retail, land)
- If the property is sold **by a private person**, there's usually **no VAT**

VAT is **included in the price** shown by developers – but always confirm it's the final price.

### 2. PCC - The Hidden 2% Tax

If you're buying a **resale property** (from a private seller), you'll pay **2% PCC** (civil law transaction tax).

- Applies to **apartments, houses, and land** bought on the secondary market
- Paid at the notary when signing the final agreement
- No PCC on **new** developer sales (if VAT applies)

**Translation:** You pay either PCC **or** VAT – never both.

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### 3. Income Tax - When You Sell

Poland charges **19% capital gains tax** on property sales – but only if you sell within **5 years** of purchase. The 5-year countdown starts from the **end of the year** you bought the property.

#### How to avoid it legally?

- Hold the property for 5 full tax years
  - Or use the "**housing exemption**" – reinvest all sale proceeds into another residential property within 3 years
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### 4. Rental Income Tax - Flat or Progressive

If you rent out the property, you must declare rental income in Poland. There are two options:

- **Flat-rate tax: 8.5% or 12.5%** (depending on income amount – no deductions)
- **General tax scale (17%-32%)** – with possible deductions (renovations, amortization, etc.)

Foreigners often choose the flat-rate system for simplicity – but the optimal choice depends on income and costs.

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### 5. Local Property Tax - Small, But Recurring

Each year, owners pay a **small local tax** on the property:

- Varies by city and size (a few hundred PLN/year for apartments)
  - Paid to the local municipality
  - Required even if the property is not rented out
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### 6. Other Possible Charges:

- **Planning fee (renta planistyczna)** – if the land gains value due to zoning changes
  - **Betterment fee (opłata adiacencka)** – if public infrastructure increases land value
  - **Inheritance or gift tax** – if you receive a property for free (some exemptions apply)
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### Summary: What Taxes You Might Pay

Situation	Tax Type	Rate
New flat from developer	VAT	8% or 23%
Resale flat from private seller	PCC	2%
Selling within 5 years	Income tax	19%
Renting out	Rental tax	8.5% / 12.5% or 17-32%

Situation	Tax Type	Rate
Owning a property	Local tax	~100-500 PLN/year

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### Can You Avoid Overpaying? Yes - Here`s How:

- Always clarify **if the price includes VAT or PCC**
  - Use the **housing exemption** if selling within 5 years
  - Consider setting up a **Polish company** for high-volume rental or flipping
  - Work with a **tax advisor** who understands foreign ownership rules
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### Planning to buy property in Poland?

Let us help you avoid unnecessary taxes and protect your investment.

**Ekspert Nieruchomości Dariusz Winiarski - legal, safe and profitable real estate investing in Krakow.**



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