**Preliminary Review of Corporate Income Tax Returns in Poland**

**I. Introduction and overview**

This paper provides a preliminary (and partial) analysis of Poland’s corporate income tax (CIT) return. A central aim of the note is to identify issues (including difficulties in interpreting and understanding tax return calculations) that would need to be understood (and resolved) in order to use schedules of the return as a basis for CIT micro-simulation analysis. Certain issues raised in the note may be helpful at some future point should a decision be taken to revise the structure of the CIT return.

The CIT return includes several schedules. This note concentrates on the main schedule (CIT-8), and supplementary schedule (CIT-8/0) that includes additional calculations that are copied into CIT-8. Section II of the paper reviews reporting and calculations in schedule CIT-8. Section III of the paper (which is incomplete in the current draft) reviews reporting and calculations in schedule CIT-8/0.

Annex 1 shows the unedited CIT-8 schedule, and Annex 2 shows the unedited CIT-8/0 schedule.

***Overview of issues/ concerns***

* The CIT return is complex, and may unintentionally result in significant base erosion through the treatment of domestic and foreign capital gains/losses and business losses.
* Amounts are not reported for main business revenue and cost components, including wages, and book and tax depreciation (frustrating CIT micro-simulation of tax expenditures).
* Gross revenues, costs and net income amounts are not clearly distinguished – thus scope is created for taxpayers to deduct costs incurred with tax-exempt investments against taxable revenues – this mismatch could result in significant revenue leakage.
* Rules for consolidation of ‘income from capital gains’ and ‘income from other sources’ allow taxpayers to deduct domestic and foreign capital losses against taxable profit. The corporate tax base could be strengthened by ring-fencing foreign capital gains/losses, and non-capital (business) income/losses.
* Foreign capital losses can be used to offset domestic capital gains, and domestic taxable profits. Foreign losses should be ring-fenced to be deducted against foreign income (with a domestic deduction or credit for foreign taxes). The ability to pool domestic and foreign capital gains/losses and domestic and foreign profits/losses likely results in significant revenue leakages.
* The return appears to allow double deduction for ’losses from previous years according to rules in force until 31 December 2017.’ Deductions for interest expense may also be over-compensated.
* Group taxation rules allow consolidation of profits/loss amongst companies in a corporate group – reporting of consolidation of profits/loss of special economic zone (SEZ) companies and other companies in the same corporate group is required to ensure that losses of SEZ companies are ring-fenced (cannot be used to offset taxable profits of non-SEZ companies).

**Additional bullets to be added**

**II. Review of reporting and calculations in schedule CIT-8**

This section provides a review of reporting and calculations in the main schedule CIT-8. Table 1 shows the main sections of CIT-8.

**Table 1. Sections of schedule CIT-8**

|  |  |
| --- | --- |
| **Section** | **Section heading** |
| A | Place of filing of declaration |
| B | Taxpayer information |
| C | Information regarding attachments (forms) |
| D | Determination of income/loss |
| E | Determination of tax base /losses |
| F | Calculation of tax amount due |
| G | Amount of monthly advance remittances due |
| H | Difference between tax amount due and monthly advance remittances due |
| I | Amount to be paid / overpayment |
| J | Separate tax obligation |
| K | Other tax obligations |
| L | Additional information |

The main schedule CIT-8 incorporates amounts calculated in schedule CIT-8/0 which provides information on exempt amounts, tax deductions, and other amounts. This paper concentrates on schedule CIT-8. A future revised draft will elaborate sections of schedule CIT-8/0, as well as other schedules of importance (e.g., schedule CIT/IP on taxation of intellectual property).

The following provides a detailed review, by section, of reporting and calculations in schedule CIT-8 (with main sections shown above in Table 1).

**Section D - Determination of income/loss**

Section D reports aggregated revenues and costs pertaining to capital gains/losses (first column of data fields (Items)) and aggregated revenues and costs pertaining to other income (second column). ‘Other income’ includes business income and investment income other than capital gains (to confirm with tax authorities). Section D is presented in Table 2 below.

**Observations:**

**1.** Schedule CIT-8 reports total revenues from domestic sources and foreign sources, and corresponding costs, but does not report core components of revenues or costs (e.g., wages, depreciation). Moreover, revenue and cost components are not reported in another CIT schedule. Instead, tax calculations are based on financial accounts (unusual practice that frustrates CIT micro-simulation modeling), that are available to tax authorities only upon audit.

**2.** Gross revenues, costs and net income amounts are not clearly distinguished,[[1]](#footnote-1) and the terms ‘income’ and ‘revenues’ are used interchangeably. This creates scope for misstatements as well as miscalculations in the tax return (scope is provided for a taxpayer to deduct costs of a tax-exempt investment against (other) taxable revenues).

**3.** Items 48, 50, 52 and 54 report revenues linked to capital gains. Items 49, 51, 53 and 55 report revenues linked to other sources (presumably, business activity and other investments (excluding revenues pertaining to capital gains)).

**4.** The revenue amounts are totals – for example, Item 49 reports total revenues from domestic sources other than capital gains. The revenue components (distinguishing sales, interest income, royalties, rents etc.) are not reported.

**5.** Revenues reported in Items 48 and 49 are domestic-source. Revenues reported in Items 50 and 51 are foreign-source, and include revenues derived from foreign subsidiaries and foreign branches (to confirm with tax authorities). Revenues reported in Items 52 and 53 are also foreign-source, and include revenues derived from foreign portfolio investment (to confirm).

**6.** Revenues reported in Items 54 and 55 are amounts (domestic and foreign-source) earned on in-kind contributions of commercialized intellectual property.[[2]](#footnote-2)

**7.** Item 56 reports total revenues pertaining to capital gains (Item 56=Item 48+Item 50+Item 52+Item 54). Item 57 reports total revenues linked to other sources (Item 55=Item 49+Item 51+Item 53+Item 55).

**8.** Costs reported in Items 58 and 59 correspond to domestic-source revenues reported in Items 48 and 49. Cost Items 60 and 61 correspond to foreign-source revenues reported in Items 50 and 51; similarly, cost Items 62 and 63 correspond to revenue Items 52 and 53, and cost items 64 and 65 correspond to revenue items 54 and 55.

**9.** Cost Items 66, 68 and 70 pertain to debt financing linked to capital gains/losses, and cost Items 67, 69 and 71 pertain to debt financing linked to (other) profits/losses. Items 66 and 67 are interest expenses which were not deductible over the prior 5 years (under Poland’s thin-cap rule (to confirm)) that are deducted in the current year. Items 70 and 71 are ‘other costs of debt financing’ (in addition to interest payments) which were not deductible over the prior 5 years, deducted in the current year.[[3]](#footnote-3) Cost Items 70 and 71 provide (another) deduction for ‘other costs of debt financing’ that were not deducted over the prior 5 years. year.[[4]](#footnote-4)

**10.**  Item 72 reports total costs pertaining to capital gains (Item 72=Item 58+Item 60+Item 62+Item 64+Item 66+Item 68+Item 70). Item 73 reports total costs linked to revenues from other sources (Item 73=Item 59+Item 61+Item 63+Item 65+Item 67+Item 69+Item 71).

**11.** Item 74 calculates (total) net capital gains from domestic and foreign sources, and Item 75 calculates (total) net profit from domestic and foreign sources.[[5]](#footnote-5)

**12.** Item 74 is calculated as Item 56 (total revenue from the sale of capital assets)[[6]](#footnote-6) minus Item 72 (total costs of sales of capital assets).[[7]](#footnote-7) If the difference is positive, the net capital gain is reported in Item 74; if the difference is negative, the net capital loss amount is reported as “0” in Item 74:

Item 74 = Item 56 – Item 72 (if negative, indicate “0”)

**13.** Item 75 is calculated as Item 57 (total other revenue) minus Item 73 (total costs of obtaining other revenue).[[8]](#footnote-8) If the difference is positive, the net profit is reported in Item 75. If the difference is negative, the net loss amount is reported as “0” in Item 75:

Item 75 = Item 57 – Item 73 (if negative, indicate “0”)

**14.** Item 76 calculates net capital losses from domestic and foreign sources, and Item 77 calculates net losses (other than net capital losses) from domestic and foreign sources.[[9]](#footnote-9) Item 76 calculates the difference of items used to calculate Item 74, but in reverse order. Similarly, Item 77 measures the difference in items used to calculate Item 75, but in reverse order:

Item 76 = Item 72 – Item 56 (if negative, indicate “0”)

Item 77 = Item 73 – Item 57 (if negative, indicate “0”)

**Table 2. CIT-8 data fields on determination of income/loss (sections D.1-D.3)**

|  |  |  |
| --- | --- | --- |
| **D. DETERMINATION OF INCOME / LOSS** | | |
| **D.1. Income** | Income from capital gains | Income from other sources |
| Revenues from income sources in the territory of the Republic of Poland  without revenues discussed in (art. 2 para. 1, art. 21 and art. 22 of the Act). | 48 | 49 |
| Revenues from income sources located outside the territory of the Republic of Poland.  Revenues equivalent to the revenue category mentioned in art. 21 para 1 of the Act and revenue from dividends and other revenue from share in profits of other legal entities that are not registered in Poland. | 50 | 51 |
| Revenues from income sources located outside the territory of the Republic of Poland - other than those referred to in Items 50 or 51. | 52 | 53 |
| Revenue generated on in-kind contribution to the company in the form of commercialized intellectual property pursuant to art. 12 paragraph. 1b Section 5 of the Act, in conjunction with Art. Article. 12 of the Law of 4 November 2016. Amending certain laws defining the conditions for conducting innovative activity (Dz. U. item. 1933), subject to the demonstration in the fiscal year indicated in the item. 4 and 5. | 54 | 55 |
| Total revenue | 56 | 57 |
| **D.2. Cost of obtaining income** | Cost of income from capital gains | Cost of income from other sources |
| Cost of obtaining revenue in Items 48 or 49 *(sources inside Poland).* | 58 | 59 |
| Cost of obtaining revenue in Items 50 or 51 *(source outside Poland).* | 60 | 61 |
| Cost of obtaining revenue in Items 52 or 53 *(sources outside Poland).* | 62 | 63 |
| Cost of obtaining revenue in Items 54 or 55. | 64 | 65 |
| Interest excluded from tax deductible expenses for the previous 5 years, which are subject to inclusion in tax deductible expenses in the current fiscal year (Art 15c) | 66 | 67 |
| Cost of debt financing deducted in the previous 5 years from costs of obtaining revenue, charged to the cost of revenue in the current fiscal year | 68 | 69 |
| Other costs of debt financing (Art 15e) not deducted in the previous 5 years of tax-deductible costs, charged to cost of revenue in the current fiscal year | 70 | 71 |
| Total cost of obtaining revenue  Item 72=58+ 60+62+64+66+68+70. Item 73=59+ 61+ 63+ 65+ 67+ 69+71. | 72 | 73 |
| **D.3. Income/loss** | Income/loss from capital gains income | Income/loss from other income sources |
| Income (Art. 7, paragraph. 2 of the Act): From amounts in positions 56 or 57 you need to deduct amount in positions 72 or 73 respectively. If the difference is negative, put in 0.  ***Interpretation:***  Item 74=56-72 (if negative, indicate “0”)  Item 75=57-73 (if negative, indicate “0”) | 74 | 75 |
| Loss (Art. 7, paragraph. 2 of the Act): From amounts in positions 72 or 73 you need to deduct amount in positions 56 or 57 respectively. If the difference is negative, put in 0.  ***Interpretation:***  Item 76=72-56 (if negative, indicate “0”)  Item 77=73-57 (if negative, indicate “0”) | 76 | 77 |
| Loss related to article 7 par.3-4a of the Act, and loss from sources of revenue listed in 52 or 53, subject to deduction from taxable income abroad  **Interpretation**: if foreign net income is negative (a loss), then the loss amount is to be stated in the negative (based on description of income calculation in items 80 and 81) | 78 | 79 |
| Income: If value of 0 was entered in items 76 or 77 respectively, add the amount from item 78 or 79 to the amount in item 74 or 75 respectively. If the amount in item 76 or 77 is greater than 0, and the amount in item 78 or 79 is greater than the amount in item 76 or 77, respectively, deduct the amount from item 76 or 77 from the amount in item 78 or 79 respectively. In other cases, enter 0. | 80 | 81 |
| Loss: If the amount in item 76 or 77 is greater than 0 and greater than the amount in item 78 or 79, respectively, deduct the amount from item 78 or 79 from the amount in item 76 or 77, respectively. In other cases, enter 0. | 82 | 83 |

**15.** Item 76 (net capital loss) is calculated as Item 72 (total costs of sales of capital assets) minus Item 56 (total revenue from the sale of capital assets). If the difference is positive, the net capital loss amount is reported in Item 76. If the difference is negative, signalling a net capital gain, the net capital loss amount is reported as “0” in Item 76.

**16.** Item 77 (net (non-capital) loss) is calculated as Item 73 (total costs of obtaining other revenue) minus Item 57 (total other revenue). If the difference is positive, the net loss amount is reported in Item 77; if instead the difference is negative, signalling a net profit, the net loss amount is reported as “0” in Item 77. Item 77 is akin to Item 75, but in reverse – with a net loss, Item 77 shows the net loss, while Item 75 (net profit) shows a “0”; with a net profit, Item 75 reports the net profit amount, while Item 77 (net loss) shows a “0”.

**17.** Note that Item 74 shows a positive amount where net income is positive (non-negative), and a zero if net income is negative (a loss). Item 76 shows a positive amount where net income is negative (a loss), and a zero if net income is positive.[[10]](#footnote-10) (Similarly, item 75 shows a positive amount where net income is positive (non-negative), and a zero if net income is negative (a loss). Item 77 shows a positive amount where net income is negative (a loss), and a zero if net income is positive).

**18.** Item 78 reports capital losses related to Article 7 par.3-4a of the Act, plus net capital losses from sources outside Poland calculated as Item 52 minus Item 62.[[11]](#footnote-11) Item 79 reports (other) losses related to Article 7 par.3-4a of the Act, plus net losses from sources outside Poland calculated as Item 53 minus Item 63.[[12]](#footnote-12)

It appears (*to confirm*) that capital losses related to related to Article 7 par.3-4a of the Act (see Box 1, Annex 3) concern losses incurred on investments outside Poland; and (other) losses related to Article 7 par.3-4a of the Act concern business activities outside Poland. In contrast, net capital losses and net losses calculated in Items 76 and 77 concern losses from domestic and foreign sources. Clarification from tax authorities is required.

**19**. It is unclear whether loss amounts reported in Items 78 and 79 are reported as positive or negative values. On the one hand, loss amounts reported in Items 76 and 77 are reported as positive amounts. However, the calculations of Items 80 and 81 (see below) would suggest that Items 78 and 79 are reported as negative values. Confirmation from tax authorities is required.

**20.** Items 80 and 81 calculate adjusted net capital gains and adjusted net profit, and Items 82 and 83 report adjusted net capital losses and adjusted net losses from other sources.

**21.** Item 80 calculates adjusted net capital gains from domestic and foreign sources, as follows:

**Table 3. Instructions for calculating Item 80**

|  |  |
| --- | --- |
| **Calculation of Item 80 (adjusted net capital gains)** | **Condition** |
| Item 74 + Item 78 | Item 76=0 |
| Item 78 - Item 76 | Item 76>0 and Item 78 > Item 76 |
| 0 | Item 76>0 and Item 78 < Item 76 |

*Consider the first case where Item 76=0*

The formula to calculate Item 80 depends on whether Item 76=0, or instead Item 76>0.[[13]](#footnote-13)

It should first be recalled that if Item 76=0, then Item 74>0 (positive net capital gains from domestic and foreign sources); conversely, if Item 76>0 (positive net capital losses from domestic and foreign sources), then Item 74=0.

The instructions specify that when Item 76=0, Item 80 is calculated as Item 74 (net capital gains from domestic and foreign sources) plus Item 78 (capital losses related to Article 7 par.3-4a of the Act and net capital losses from sources outside Poland):

Item 80 = Item 74 + Item 78

where Item 74>0 (i.e., positive net capital gain from domestic and foreign sources).[[14]](#footnote-14) If losses reported in Item 78 are shown as a positive amount, then Item 80 is calculated by adding positive net capital gains (Item 74) and (positive) net capital losses from foreign sources (Item 78).[[15]](#footnote-15) This calculation does not make sense *a priori*.

If, on the other hand, losses reported in Item 78 are shown as a negative amount, then Item 80 is calculated by adding positive net capital gains (Item 74) and negative net capital losses from foreign sources (Item 80). In other words, in calculating Item 80, net capital losses from foreign sources are netted against (deducted from) net capital gains from domestic and foreign sources, to arrive at adjusted net capital gains from domestic and foreign sources. This calculation does make sense *a priori* (i.e., the netting of losses against gains, rather than the addition of losses and gains). However, this interpretation (that losses reported in Item 78 are shown as a negative amount) requires confirmation from tax authorities.

*Next consider the case where Item 76>0*

Now consider the calculation of Item 80 (adjusted net capital gains from domestic and foreign sources) when Item 76>0, where:

Item 76 = Item 72 − Item 56

Note that when Item 76>0, it follows that:

(Item 56 − Item 72) <0

In this case, Item 74 (net capital gains from domestic and foreign sources) is reported as “0”:[[16]](#footnote-16)

Item 74=0

With reference to Table Z, the calculation of Item 80 in the case where Item 76>0 depends on whether the condition (Item 78>Item 76) holds, or instead (Item 78<Item 76) holds.

In cases where the condition (Item 78>Item 76) holds, Item 80 is to be calculated as follows:

Item 80 = Item 78 − Item 76 (1)

As reasoned above, losses reported in Item 78 are shown (presumably) as a negative amount. Also, Item 76 is constrained to be non-negative:

Item 78≤0

Item 76≥0

It follows from formula (1) that Item 80 is non-positive:

Item 80≤0

The interpretation of this is unclear. The condition (Item 78>Item 76) is also implausible if Item 78 is indeed a negative amount (more precisely, non-positive) and Item 76 is a non-negative amount.

In cases where the condition (Item 78<Item 76) holds, Item 80 is set to “0”:

Item 80 = 0 (1)

The interpretation of this is unclear. The condition (Item 78<Item 76) would always hold if Item 78 is a negative amount and Item 76 is a non-negative amount.

**22.** Item 81 calculates adjusted net profit from domestic and foreign sources, as follows:

**Table 4. Instructions for calculating Item 81**

|  |  |
| --- | --- |
| **Calculation of Item 80 (adjusted net profit)** | **Condition** |
| Item 75 + Item 79 | Item 77=0 |
| Item 79 - Item 77 | Item 77>0 and Item 79 > Item 77 |
| 0 | Item 77>0 and Item 79 < Item 77 |

*Consider the first case where Item 77=0*

The formula to calculate Item 81 depends on whether Item 77=0, or instead Item 77>0.[[17]](#footnote-17)

The instructions specify that when Item 77=0, Item 81 is calculated as Item 75 (net profit from domestic and foreign sources) plus Item 79 (losses related to Article 7 par.3-4a of the Act and net losses from sources outside Poland):

Item 81 = Item 75 + Item 79

When Item 77=0, then Item 75>0 (i.e., positive net profit from domestic and foreign sources).[[18]](#footnote-18) If losses reported in Item 79 are shown as a positive amount, then Item 81 is calculated by adding positive net profit (Item 75) and (positive) net losses from foreign sources (Item 79).[[19]](#footnote-19) This calculation does not make sense *a priori*.

If, on the other hand, losses reported in Item 79 are shown as a negative amount, then Item 81 is calculated by adding positive net profit (Item 75) and negative net losses from foreign sources (Item 81). In other words, in calculating Item 81, net losses from foreign sources are netted against (deducted from) net profit from domestic and foreign sources, to arrive at adjusted net profit from domestic and foreign sources. This calculation does make sense *a priori* (i.e., the netting of losses against profits, rather than the addition of losses and profits).

This interpretation (that losses reported in Item 79 are shown as a negative amount) requires confirmation from tax authorities.

*Next consider the case where Item 77>0*

The preceding considers the calculation of Item 81 (adjusted net profit from domestic and foreign sources) the case where Item 77=0. Now consider the case where Item 77>0, where:

Item 77 = Item 73 − Item 57

First note that when Item 77>0, it follows that:

(Item 57 − Item 73) <0

In this case, Item 75 (net profit from domestic and foreign sources) is reported as “0”:[[20]](#footnote-20)

Item 75=0

With reference to Table Z, the calculation of Item 81 in the case where Item 77>0 depends on whether the condition (Item 79>Item 77) holds, or instead the reverse (Item 79<Item 77) holds.

In cases where the condition (Item 79>Item 77) holds, Item 81 is to be calculated as follows:

Item 81 = Item 79 − Item 77 (1)

As reasoned above, losses reported in Item 79 are shown (presumably) as a negative amount. Also, Item 77 is constrained to be non-negative:

Item 79≤0

Item 77≥0

It follows from formula (1) that Item 81 is non-positive:

Item 81≤0

The interpretation of this is unclear. The condition (Item 79>Item 77) is also implausible if Item 79 is indeed a negative amount (more precisely, non-positive) and Item 77 is a non-negative amount.

In cases where the condition (Item 79<Item 77) holds, Item 81 is set to “0”:

Item 81 = 0 (1)

The interpretation of this is unclear. The condition (Item 79<Item 77) would always hold if Item 79 is a negative amount and Item 77 is a non-negative amount.

**23.** Item 82 calculates adjusted net capital loss, as follows:

**Table 5. Instructions for calculating Item 82**

|  |  |
| --- | --- |
| **Calculation of Item 82 (adjusted net capital loss)** | **Condition** |
| 0 | Item 76=0 |
| Item 76 - Item 78 | Item 76>0 and Item 76 > Item 78 |

*Consider the first case where Item 76=0*

Item 76=0 arises where (Item 56-Item 72)>0 (that is, a net capital gain from domestic and foreign sources). In this case, Item 82 (adjusted net capital loss) is “0”.

*Next consider the case where Item 76>0*

Item 76>0 arises where (Item 56-Item 72)<0 (that is, a net capital loss from domestic and foreign sources). In this case, Item 82 (adjusted net capital loss) is calculated as Item 76 (net capital loss from domestic and foreign sources) minus Item 78 (capital losses related to Article 7 par.3-4a of the Act, plus net capital losses from sources outside Poland).

Under the assumption (*to confirm with tax authorities*) that Item 78 is reported as a negative amount, then the preceding calculation for Item 82 takes Item 76 (net capital loss from domestic and foreign sources) and adds the absolute value of the Item 78 loss amount.

The preceding calculation makes sense if Item 76 and Item 78 are mutually exclusive. However, it would appear that Item 76 is broadly defined and may include Item 78.

**24.** Item 83 calculates adjusted net losses, as follows:

**Table 6. Instructions for calculating Item 83**

|  |  |
| --- | --- |
| **Calculation of Item 83 (adjusted net loss)** | **Condition** |
| 0 | Item 77=0 |
| Item 77 - Item 79 | Item 77>0 and Item 77 > Item 79 |

*Consider the first case where Item 77=0*

Item 77=0 arises where (Item 57-Item 73)>0 (that is, a net profit from domestic and foreign sources). In this case, Item 83 (adjusted net loss) is “0”.

*Next consider the case where Item 77>0*

Item 77>0 arises where (Item 57-Item 73)<0 (that is, a net loss from domestic and foreign sources). In this case, Item 83 (adjusted net loss) is calculated as Item 77 (net loss from domestic and foreign sources) minus Item 79 (losses related to Article 7 par.3-4a of the Act, plus net losses from sources outside Poland).

Under the assumption (*to confirm with tax authorities*) that Item 79 is reported as a negative amount, then the preceding calculation for Item 83 takes Item 77 (net loss from domestic and foreign sources) and adds the absolute value of the Item 79 loss amount.

The preceding calculation makes sense if Item 77 and Item 79 are mutually exclusive. However, it would appear that Item 77 is broadly defined and may include Item 79.

**25.**  **Section D.4** calculates revised adjusted net capital gains (Item 90), and revised adjusted net profit (Item 91), that take into account ‘amounts increasing income/decreasing loss’ that are reported in Items 84 and 85. It is unclear what these amounts are – therefore, it is *necessary to confirm with tax authorities what the Item 84 and 85 amounts are, and how they are determined*. Items 90 and 91, reviewed below, are adjusted further in Section E to determine the tax base.

***Calculation of revised adjusted net capital gains***[[21]](#footnote-21) ***(Item 90)***

Revised adjusted net capital gain is calculated as:

Item 90 = Item 80 + Item 88

where Item 80 (adjusted net capital gains) is calculated as reviewed above,[[22]](#footnote-22) and Item 88 (‘income to add’) is calculated as follows (constrained to be non-negative):

Item 88 = Item 84 – Item 82 (if negative, indicate “0”)

where Item 84 is the ‘amount increasing income/ decreasing loss’ related to capital gains/losses (currently unsure what is being reported here) and Item 82 (adjusted net capital loss) may be positive or negative (need to confirm).

***Calculation of revised adjusted net profit (Item 91)***

Revised adjusted net profit is calculated as:

Item 91 = Item 81 + Item 89

where Item 81 (adjusted net profit) is calculated as reviewed above,[[23]](#footnote-23) and Item 89 (‘income to add’) is calculated as follows (constrained to be non-negative):

Item 89 = Item 85 – Item 83 (if negative, indicate “0”)

where Item 85 is the ‘amount increasing income/ decreasing loss’ related to profits/losses, and Item 83 (adjusted net loss) may be positive or negative (need to confirm).

**26.**  Section D.4 also calculates revised adjusted net capital losses (Item 86), and revised adjusted net losses (Item 87), that take into account the ‘amounts increasing income/decreasing loss’ reported in Items 84 and 85. As noted above, it is unclear what these amounts are. Items 86 and 87, reviewed below, are adjusted further in Section E to determine additional adjusted loss amounts.

***Calculation of revised adjusted net capital loss***[[24]](#footnote-24) ***(Item 86)***

Revised adjusted net capital loss is calculated as:

Item 86 = Item 82 − Item 84 (if negative, indicate “0”)

where Item 82 (adjusted net capital loss) is calculated as reviewed above, and Item 84 is an ‘amount increasing income/ decreasing loss’ related to capital gains/losses (unsure what these amounts are).

***Calculation of revised adjusted net loss (Item 87)***

Revised adjusted net loss is calculated as:

Item 87 = Item 83 − Item 85 (if negative, indicate “0”)

where Item 83 (adjusted net loss) is calculated as reviewed above, and Item 85 is the ‘amount increasing income/ decreasing loss’ related to profits/losses (unsure what these amounts are).

**Table 7. CIT-8 data fields on determination of income/loss (section D.4)**

|  |  |  |
| --- | --- | --- |
| **D.4. Amounts increasing income/ decreasing loss** | Income/loss from capital gains income | Income/loss from other income sources |
| Amounts increasing income/ decreasing loss | 84 | 85 |
| Loss after deduction: From the amount in Item 82 or 83, deduct the amount from Item 84 or 85, respectively; if the difference is a negative number, enter 0.  ***Interpretation:***  Item 86=82-84 (if negative, indicate “0”)  Item 87=83-85 (if negative, indicate “0”) | 86 | 87 |
| Income to add: From the amount in Item 84 or 85, deduct the amount from Item 82 or 83, respectively; if the difference is a negative number, enter 0.  ***Interpretation:***  Item 88=84-82 (if negative, indicate “0”)  Item 89=85-83 (if negative, indicate “0”) | 88 | 89 |
| Income after addition: To the amount in Item 80 or 81, please add the amount from item 88 or 89, respectively  ***Interpretation:***  Item 90=80+88  Item 91=81+89 | 90 | 91 |

**Section E - Determination of tax base/losses**

Section E (shown in Table 3 below) makes a number of reductions to taxable income (items 90 and 91 in schedule CIT-8 shown in Table 2), including deductions for tax-exempt income as well as other deductions.

**Observations:**

**1.**  Items 92 and 93 in schedule CIT-8 report ‘total tax-free revenue (income)’, which are copied in from Items 74 and 75 of schedule CIT-8/0.[[25]](#footnote-25) Item 92 reports ‘total tax-free revenue (income)’ to be netted against taxable capital gains (Item 90 in CIT-8), and Item 93 reports ‘total tax-free revenue (income)’ to be netted against other taxable income (Item 91 in CIT-8).

**2.** Items 94 and 95 in schedule CIT-8 report ‘Income after deduction of tax-free revenue (income)’. These amounts are calculated as: Item 94=90-92, and Item 95=91-93 (all CIT-8 items).[[26]](#footnote-26)

**3.** Items 96 and 97 in schedule CIT-8 report ‘Deductions from income for losses from previous years according to the rules in force until 31 December 2017’. Item 96 is deducted against taxable capital gains, and Item 97 is deducted against other taxable income. The line in schedule CIT-8 for these items does not specify the source for the Item 96 amount (netted against taxable capital gains) or the Item 97 amount (netted against other taxable income).

**Table 3. CIT-8 data fields on determination of tax base/losses (section E)**

|  |  |  |
| --- | --- | --- |
| **E. DETERMINATION OF TAX BASE/LOSSES** | | |
| **E.1. Tax free revenue (income) and deductions** | tax free revenue (income) and deduction from capital gains | tax free revenue (income) and deduction from other income sources |
| Total tax-free revenue (income)  Enter the amounts from the item 74 and 75 of CIT-8 / O. | 92 | 93 |
| Income after deduction of tax-free revenue (income) | 94 | 95 |
| Deduction from income losses from previous years according to the rules in force until 31 December 2017 | 96 | 97 |
| Income after the deduction of losses from previous years according to the rules in force until 31 December 2017. | 98 | 99 |
| Other income deductions:  Enter the amount respectively from item 156 or 157 of Annex CIT-8 / O. The deducted amount cannot exceed the amount of income respectively from item 90 or 91 reduced by the amount of pos. 92 or 93. | 100 | 101 |
| Total income deductions:  Enter the amount respectively from item 156 or 157 of Annex CIT-8 / O. The deducted amount cannot exceed the amount of income respectively from item 90 or 91 reduced by the amount of pos. 92 or 93. | 102 | 103 |
| Deductions for investment expenditures:  Enter the amount respectively from item 162 or 163 of Annex CIT-8 / O. The deducted amount cannot exceed the amount of income respectively from item 90 or 91 reduced by the sum of amounts respectively from item 92 and 102 or 93 and 103. | 104 | 105 |
| Total tax-free income (revenues) and deductions  In item 106, enter the sum of the amounts from the item 92, 102 and 104.  In item 107, enter the sum of the amounts from the item 93, 103 and 105. | 106 | 107 |
| **E.2. Tax base/loss** |  | |
| The tax base:  If the sum of the amounts in item 90 and 91 is greater than 0, enter the amount being the sum of the amounts from item 90 and 91 reduced by the sum of amounts from item 106 and 107. If in item 90 or 91 entered 0, from the sum of amounts from item 90 and 91, the amount from pos. 106 or 107, which corresponds to item 90 or 91, respectively, where 0 is shown.  In other cases, and if the result is a negative number, enter 0.  ***Interpretation:***  If (90+91)>0, 108=(90+91)-(106+107).  If 90=0 or 91=0, … the explanatory text is indecipherable. | 108 | |
| Loss:  From the sum of amounts from item 86 and 87 and from item 106 and 107, the sum of the amounts from pos. 90 and 91. If in item 86 or 87 was entered 0, the amount from pos. 106 or 107 corresponding to item 90 or 91 in which 0 was entered and the amount from item 90 or 91 in which an amount greater than 0 has been entered shall not be subtracted. If the difference is a negative number, enter 0.  ***Interpretation:***  The explanatory text is indecipherable. | 109 | |
| **E.3. Deductions from taxable amount** |  | |
| Taxable amount deductions for expenditures incurred to obtain new technology  Enter the amount from item 164 of CIT-8 / O. | 110 | |
| Taxable amount deductions for cost of obtaining revenue, incurred due to R&D activity  Enter the amount from item 42 of CIT / BR Annex. | 111 | |
| Total deductions from taxable amount  Item 112=110+111. | 112 | |

**Table 3 (continued)**

|  |  |
| --- | --- |
| **E.4. Amounts increasing taxable amount/reducing loss** |  |
| Amount of investment expenditures, deducted in previous years – in connection with loss of eligibility for deductions | 113 |
| Amount of tax-free income from business operations conducted in a special economic zone – in connection with loss of eligibility for deductions | 114 |
| Amount of expenditures incurred to obtain new technology – in connection with loss of eligibility for deductions | 115 |
| Titles | 116 |
| Other increments to the tax base | 117 |
| Total amount increasing taxable amount / reducing loss  Item 118=113+114+115+117. | 118 |
| **E.5. Taxable amount/loss after accounting for part E.3 and E.4 amounts** |  |
| The tax base:  If the amount from item 108 is greater than 0, enter the amount from pos. 108 less the amount from pos. 112 and increased by the amount from item 118. If the amount from item 108 is equal to 0, and the amount from item 109 is smaller than the amount from item 118, from the amount of item 118, the amount from pos. 109. In other cases, and if the result is a negative number, enter 0. | 119 |
| Taxable amount taxed at 19% tax rate (art. 19 para. 1 point 1 of the Act) | 120 |
| Taxable amount taxed at 9% tax rate (art. 19 para. 1 point 2 of the Act) | 121 |
| Loss:  Pos. 122 is not completed if the amount from pos. 119 is greater than 0. In other cases, the amount from item 109, the amount from pos. 118. If the difference is a negative number, enter 0. | 122 |

**4.** Items 98 and 99 in schedule CIT-8 report ‘Income after the deduction of losses from previous years according to the rules in force until 31 December 2017’. These amounts are calculated as: Item 98=94-96, and Item 99=95-97 (all CIT-8 items).[[27]](#footnote-27)

**5.**  Items 100 and 101 in schedule CIT-8 report ‘Other income deductions’, which are copied in from Items 156 and 157 of schedule CIT-8/O.

A review of CIT-8/0 shows that Items 156 and 157 include deductions of losses from previous years according to the rules in force until 31 December 2017. As noted above, Items 96 and 97 in schedule CIT-8 already provides a deduction for losses from previous years according to the rules in force until 31 December 2017. Thus, it appears that Items 100 and 101 in schedule CIT-8 provide a second deduction for losses from previous years according to rules in force until 31 December 2017.

To examine this further, consider the calculation of Items 156 and 157 in schedule CIT-8/O. First consider the calculation of Item 156:

Item 156 = Item 96 + Item 117 + Item 154

where the components of Item 154 are:

Item 154 = Item 147 + Item 149 + Item 152

Using these two identities, the calculation of Item 156 is given by:

Item 156 = Item 96 + Item 117 + Item 147 + Item 149 + Item 152

where these components are as follows (see sections B.2 and B.3 of schedule CIT-8/0):

Item 96=losses from previous years according to rules in force until 31 December 2017

Item 117=capital losses from previous years

Item 147=total deductions for gifts/donations, deducted against income from capital gains

Item 149=deduction in accordance with Article 18 par. 1, Item 6 of the Income Tax Act, deducted against from income from capital gains,

Item 152=other deductions, deducted against income from capital gains

As noted in observation 3 above, Item 96 in schedule CIT-8 provides a deduction, against taxable capital gains, for losses from previous years according to the rules in force until 31 December 2017. Presumably, the Item 96 deduction in schedule CIT-8 is for unused capital losses from previous years according to the rules until 31 December 2017.

Item 100 in schedule CIT-8 (which copies in Item 156 in CIT-8/0, which includes Item 96 in CIT-8/0) provides another deduction against taxable capital gains for ’losses from previous years according to rules in force until 31 December 2017’. Thus, there is an **apparent double deduction**.

The source of the Item 96 deduction in schedule CIT-8 is not specified. The source of the Item 96 deduction in schedule CIT-8/0 is specified, but that source (section B.2 of CIT-8/0) does not show the split of prior year deductions (according to rules up to December 31, 2017) into a capital loss component and a non-capital loss (other income) component.

Next consider the calculation of Item 157 in schedule CIT-8/0 (which is subsequently copied into Item 101 of schedule CIT-8 to be deducted against other (non-capital) income):

Item 157 = Item 96 + Item 138 + Item 155

where the components of Item 155 are:

Item 155 = Item 148 + Item 150 + Item 153

Using these two identities, the calculation of Item 157 is given by:

Item 157 = Item 96 + Item 138 + Item 148 + Item 150 + Item 153

where these components are as follows (see sections B.2 and B.3 of schedule CIT-8/0):

Item 96=losses from previous years according to rules in force until 31 December 2017

Item 138=non-capital losses from previous years

Item 148=total deductions for gifts/donations, deducted against income from other sources (i.e., income other than capital gains)

Item 150=deduction in accordance with Article 18 par. 1, Item 6 of the Income Tax Act, deducted against from income from other sources (i.e., other than capital gains)

Item 152=other deductions, deducted against income from other sources (i.e., other than capital gains)

As noted in observation 3 above, Item 97 in schedule CIT-8 provides a deduction, against other taxable income,[[28]](#footnote-28) for losses from previous years (presumably non-capital losses) according to the rules in force until 31 December 2017. Presumably, the Item 97 deduction in CIT-8 is for unused non-capital losses from previous years according to the rules until 31 December 2017, deducted against other (non-capital) income.

Item 101 in schedule CIT-8 (which copies in Item 157 in CIT-8/0, which includes Item 96 in CIT-8/0) provides **another (third) deduction** for ’losses from previous years according to rules in force until 31 December 2017’, deducted against other (non-capital) income.

As noted above, the source of the Item 96 deduction in schedule CIT-8 is not specified. The source of the Item 97 deduction in schedule CIT-8/0 is specified, but that source (section B.2, CIT-8/0) does not show the split of prior year deductions (according to rules up to December 31, 2017) into a capital loss component and a non-capital loss (other income) component.

**6.**  The Item 100 and 101 ‘Other income deductions’ in schedule CIT-8 are capped such that taxable income (schedule CIT-8 Items 90 and 91), minus tax-free revenue (CIT-8 Items 92 and 93), minus ‘Other income deductions’ are non-negative.[[29]](#footnote-29)

**7.**  Items 102 and 103 in schedule CIT-8 report ‘Total income deductions.’ Presumably (to confirm) these amounts sum the following components in the CIT-8 schedule:

Item 102 = Item 96 + Item 100

Item 103 = Item 97 + Item 101

where schedule CIT-8 Items 96, 97, 100 and 101 are reviewed above.

**8.** The constraint shown in the line for Items 102 and 103 repeats the constraint applied in the preceding line for Items 100 and 101.[[30]](#footnote-30) Presumably, this is an error.

**9.** Items 104 and 105 in schedule CIT-8 report ‘Deductions for investment expenditures.’ These amounts are copied in from Items 162 and 163 of schedule CIT-8/0. These items consist of two components reported in section C of CIT-8/0:

Item 162 = Item 158 + Item 160 (1st column for income (revenue) from capital gains)

Item 163 = Item 159 + Item 161 (2ndcolumn for income (revenue) from other sources)

Item 158 reports a deduction for investment expenditures referred to in art. 39 par. 4 of the Income Tax Act corresponding to *income (revenue) from capital gains*.

Item 159 reports a deduction for investment expenditures referred to in art. 39 par. 4 of the Income Tax Act corresponding to *income (revenue) from other sources*.

In addressing Items 158 and 159, it is unclear what legislation is being referred to. Article 39 of the Income Tax Act reads: ‘Art. 39. Omitted. [The provisions specify the Acts repealed].’

Presumably ‘investment expenditures’ corresponding to income from other sources (Item 159) are expenditures on non-financial assets (e.g., depreciable capital) generating income other than capital gains. However, it is unclear what ‘investment expenditures’ corresponding to capital gains would be reported in Item 158. It would appear (to confirm) that ‘investment expenditures’ are interpreted to include investments in financial assets that give rise to taxable capital gains, and that Item 158 provides a deduction in respect of these investments.

Item 160 reports an additional deduction for investment expenditures, provided by an Ordinance of Council of Ministers of 24 January 1995, deducted against income (revenue) from capital gains. Item 61 reports an additional deduction for investment expenditures (provided by the same Ordinance), deducted against income (revenue) from other sources.

Presumably Item 61 concerns investment expenditures on non-financial assets (e.g., depreciable capital), while Item 60 concerns investment expenditures on financial assets generating capital gains.

**10.** Items 106 and 107 in schedule CIT-8 report ‘Total tax-free income (revenues) and deductions.’ More specifically, Item 106 reports ‘Total tax-free income (revenues) and deductions’ netted against taxable capital gains (Item 90 in CIT-8), where:

Item 106 = Item 92 + Item 102 + Item 104 (1st column for income from capital gains)

where Item 92 is ‘total tax-free revenue (income)’ from tax-free capital gains, Item 102 is ‘total income deductions’ deducted from taxable capital gains, and Item 104 is ‘Deductions for investment expenditures’ deducted from taxable capital gains.

Item 107 reports ‘Total tax-free income (revenues) and deductions’ netted against taxable income from other sources (Item 91 in CIT-8), where:

Item 107 = Item 93 + Item 103 + Item105 (2nd column for income from other sources)

where Item 93 is ‘total tax-free revenue (income)’ excluding tax-free capital gains, Item 103 is ‘total income deductions’ against taxable income (other than taxable capital gains), and Item 105 is ‘Deductions for investment expenditures’ deducted from taxable income (other than taxable gains).

**11.** Item 108 in section E.2 of schedule CIT-8 adjusts taxable income/loss amounts (in particular, Items 90 and 91)[[31]](#footnote-31) to reflect the tax-free amounts and deductions calculated in section E.1 (discussed above).

Importantly, the calculations in Item 108 (and subsequent calculations in CIT-8) combine the capital gain/loss amounts (in the first column in sections D and E.1 of CIT-8) with income/loss amounts from other sources (second column in sections D and E.1). This effectively means that in some cases, capital losses may be used to taxable business (non-capital) income.

Unfortunately, the calculations in Item 108 are not clear, which may (or may not) be a problem of translation. However, the instructions for Item 108 calculations are clear for the case where the sum of Items 90 and 91 is positive. The guidance reads as follows,

*“If the sum of the amounts in item 90 and 91 is greater than 0, enter the amount being the sum of the amounts from item 90 and 91 reduced by the sum of amounts from item 106 and 107.”*

This guidance can be summarized as follows (where we drop the term “item’):

If (Item 90 + Item 91)>0, then Item 108 = (Item 90 + Item 91) – (Item 106 + Item 107)

In this case where the sum (Item 90+Item 91) is positive, the tax base (Item 108) is calculated by summing the capital gain/loss amount (Item 90) and other income/loss amount (Item 91), and subtracting from this amount the sum of ‘total tax-free income and deductions’ in respect of income from capital gains, and other sources of income.

It is important to determine whether the above condition can hold if the taxpayer has capital losses (Item 90<0). In particular, if business income is positive (Item 91>0) and capital losses are realized (Item 90<0), but the absolute value of business income exceeds the absolute value of capital losses, then in principle the condition (Item 90+Item 91)>0 could hold, and then the tax base (Item 108) involves a partial offset of taxable business profit by capital losses. If this is the case, then consideration should be given to restricting capital loss deductions to offset capital gains (only) – that is, more effective ring-fencing.

Unfortunately, it is not possible to determine how the tax return calculations interact, as the instructions to in sections D.3 and D.4 cannot be readily understood (this may be a translation issue, or possibly broader).

***ADDITIONAL TEXT TO BE DRAFTED***

**Table 4. CIT-8 data fields on calculation of tax amount due (section F)**

|  |  |
| --- | --- |
| **F. CALCULATION OF TAX DUE AMOUNT**. If in item 24 has been marked with square No. 1, item F is not completed. 129 and 130. | |
| The tax rate - Art. 19 of the Act (19% or 9%) | 123 |
| Tax due according to 19% rate, calculated based on the amount in position 120 | 124 |
| Tax due according to 9% rate, calculated based on the amount in position 121 | 125 |
| Sum of tax due - sum of amounts in positions 124 and 125. | 126 |
| Tax deductions – amount from position 176 in CIT-8/O attachment. Deduction can't exceed the amount in position 126. | 127 |
| Tax due after deductions, for fiscal year indicated in fields 4 and 5 (amount)  From the amount in position 126 deduct amount in position 127. | 128 |
| Year | 129 |
| 20% of tax amount due, reported in statement for the fiscal year subject to exemption referred to in art. 25 par. 11 - 16 of the Act | 130 |

**III. Review of reporting and calculations in schedule CIT-8/0**

This section provides a review of reporting and calculations in schedule CIT-8/0, with the aim of understanding the calculations in the form, identifying linkages between this form and CIT-8, and also identifying issues that require clarification.

Table 5 shows the main sections of CIT-8/0.

**Table 5. Sections of schedule CIT-8/0**

|  |  |
| --- | --- |
| **Section** | **Section heading** |
| A | Identification of taxpayer |
| B | Revenue (income) free of income and deductions |
| B.1 | Revenue (income) free or exempt from tax |
| B.2 | Deduction of losses incurred in previous years |
| B.2.1 | Losses from previous years (per rules up to 31 December 2017) |
| B.2.2 | Capital losses from previous years |
| B.2.3 | Losses from previous years from other sources of revenue |
| B.3 | Amount of monthly advance remittances due |
| B.4 | Total deductions from income |
| C | Allowances for capital expenditures |
| D | Deductions from taxable amount |
| E | Exemptions, tax forgone, tax reductions and deductions from tax |
| F | General (additional) information |

The following provides a detailed review of reporting and calculations in schedule CIT-8/0, by section (with main sections shown above in Table 5).

Section B of schedule CIT-8/0 reports tax-exempt revenues. The sums of tax-exempt revenues (see Items 74 and 75 of section B, in Table 6 below) are copied to schedule CIT-8 and deducted against taxable profit (Items 92 and 93 in section E.1 of schedule CIT-8 (see Table 3)).

Proper ring-fencing of tax-exempt net income (e.g., profits of SEZ companies) would require that tax-exempt net income is calculated separately from taxable net income, as illustrated below:

|  |  |  |
| --- | --- | --- |
|  | Tax-exempt investment (E) | Taxable investment (T) |
| Revenues (gross income) | RE | RT |
| Costs | CE | ET |
| Net income (profit) | (RE – CE) | (RT – CT) |

It would appear that the tax return allows a deduction for tax-exempt revenues (RE) while also allowing a deduction for costs incurred in tax-exempt investments (CE). Tax-exempt revenues (RE) are deducted in Items 74 and 75 in section B of CIT-8/0 (see Table 6 below), copied to Items 92 and 93 in section E.1 of schedule CIT-8 (see Table 3). Corresponding costs (CE ) are deducted in Items 58 and 59 of section D of schedule CIT-8 (see Table 2 above).

***ADDITIONAL TEXT TO BE DRAFTED***

**Table 6. CIT-8/0 data fields on tax-exempt income (revenue) (section B.1)**

|  |  |  |
| --- | --- | --- |
| A. Identification of taxpayer (items 1-6) | | |
| **B. Revenue (income) free of income tax and deductions** | | |
| **B.1. Revenue (income) free or exempt from tax** | Income (revenue) from capital gains | Income (revenue) from other sources |
| Tax-free Income, allocated to statutory objectives or other objectives specified in Article. 17 paragraph 1, point 4d, 4u-4g, 5a, 26, 37, 42, 43, 45 and 46 of the Act | 7 | 8 |
| Revenue from sale of entirety or part of a building constituting a part of a farm – free from tax pursuant to Art. 17 paragraph. 1 point 1 of the Act | 9 | 10 |
| Income free from tax pursuant to Article. 17 paragraph 1 point 3 of the Act achieved outside of Poland, if the international agreement states so | 11 | 12 |
| Income (revenues free from tax pursuant to Article. 17 paragraph 1 point 4 of the Act in part allocated to statutory objectives | 13 | 14 |
| Income of church legal persons and revenues of companies wholly owned by church legal persons – free from tax pursuant to art. 17 par. 1 pt 4a and 4b of the Act | 15 | 16 |
| Revenues of companies, whose shareholders are exclusively organizations operating pursuant to the Law on Associations – free from tax pursuant to art. 17 par. 1 pt 5 of the Act | 17 | 18 |
| Revenues of public benefit organizations – free from tax pursuant to art. 17 par. 1 pt 6c of the Act, in part allocated to statutory activity, excluding business activity | 19 | 20 |
| Revenues from non-agricultural activity and special sections of agricultural activity – free from tax pursuant to art. 17 par. 1 pt 15 of the Act | 21 | 22 |
| Subsidies, subventions, copayments and other free of charge benefits – free from tax pursuant to art. 17 par. 1 pt 21 of the Act | 23 | 24 |
| Income free from tax pursuant to art. 17 par. 1 pt 23 and 24 of the Act | 25 | 26 |
| Income tax-free in accordance with Article. 17 paragraph 1 Section 34 of the Act, obtained from economic activities carried out in the special economic zone  fill taxpayers who have acquired the right to the exemption after 31 December 2000. | 27 | 28 |
| Direct payments under the Common Agricultural Policy of the European Union – tax free pursuant to art. 17 par. 1 pt 36 of the Act | 29 | 30 |
| Written off receivables and debts allocated to payer agencies within the framework of Common Agricultural Policy – free of tax pursuant to art. 17 par. 1 pt 36a of the Act | 31 | 32 |
| Revenues of trade unions, social and professional organizations of farmers, agricultural chambers, economic chambers, organizations of artisans, self-government, co-operative audit associations, employer’s organizations and political parties - free from tax pursuant to art. 17 par. 1 pt 39 of the Act | 33 | 34 |
| Membership fees from members of political, social and professional organizations, pursuant to art. 17 par. 1 pt 40 of the Act | 35 | 36 |
| Revenues of housing co-operatives, home-owners associations, social housing associations and self-government organizational units, operating in the area of housing management, achieved based on Housing resources management - free from tax pursuant to art. 17 par. 1 pt 44 of the Act – in part allocated to objectives related to maintenance of those resources | 37 | 38 |
| Subsidies received from the state budget, or budgets of self-government units – free from tax pursuant to rt. 17 par. 1 pt 47 of the Act | 39 | 40 |
| Amounts received from government agencies or executive agencies – free from tax pursuant to art. 17 par. 1 pt 48 of the Act | 41 | 42 |
| Revenues of a group of agricultural producers - free from tax pursuant to art. 17 par. 1 pt 49 of the Act | 43 | 44 |
| Income (revenues) from payments within the framework of financial programs with participation of EU funds – free from tax pursuant to art. 17 par. 1 pt 52 of the Act – received from Bank Gospodarstwa Krajowego (National Development Bank) | 45 | 46 |
| Income (revenues) from financial means, received by a participant of a project – free from tax pursuant to art. 17 par. 1 pt 53 of the Act | 47 | 48 |
| Payments into assistance fund, made by participants of a protection system - free from tax pursuant to art. 17 par. 1 pt 55 of the Act | 49 | 50 |
| Income free of tax pursuant to Article. 17 paragraph 1 Section 57 of the Act | 51 | 52 |
| Revenue (income) free of tax pursuant to Article. 17 paragraph 1 Section 58 of the Act | 53 | 54 |
| Other income (revenues) free from tax pursuant to art. 17 par. 1 of the Act, except from those listed in fields 7-54 | 55 | 56 |
| Income free of tax to the extent specified by law in Article. 40 par. 2 Section 3 of the Act | 57 | 58 |
| Revenues of companies managing special economic zones – free from tax pursuant to secondary legislation pertaining to the Act of 20 October 1994 on special economic zones (Journal of Laws of 2017, item 1010) | 59 | 60 |
| Manager’s tax-free revenues pursuant to art.17 clause 1 point 59 of the Act | 61 | 62 |
| Income free from tax pursuant to the Act on special economic zones and secondary legislation pertaining to that Act, based on permits received before 1 January 2001, achieved by taxpayers, who did not apply for a change of permits, as per art. 6 of the Act of 2 October on amending the Act on special economic zones and certain other Acts (Journal of Laws No. item 1840, as subsequently amended) | 63 | 64 |
| Income free from tax pursuant to the Act on special economic zones and secondary legislation of that Act, based on permits received before 1 January 2001, by taxpayers, who use the exemption based on amended permit and at the same time have not exceeded the maximum allowed amount of public aid (art.5 of the Act referred to in fields 63 and 64) | 65 | 66 |
| Income free from tax pursuant to art. 20 par. 3 of the Act | 67 | 68 |
| Income from sale of shares or interests, free from tax pursuant to art. 14 of the Act of 25 September 2015. on amending certain Acts with purpose of supporting innovation (Journal of Laws item 1767, as subsequently amended) | 69 | 70 |
| Title name | 71 |  |
| Other tax free (exempt) income (revenues), including those based on separate Acts of law | 72 | 73 |
| Total tax-free income  Item 74=7+9+11+13+15+17+19+21+23+25+27+29+31+33+35+37+39+41+43+45+47+ 49+51+53+55+57+59+61+63+65+67+69+72. Enter sum item 74 in item 92 of CIT-8.  Item 75=8+10+12+14+16+18+20+22+24+26+28+30+32+34+36+38+40+42+44+46+48+ 50+52+54+56+58+60+62+64+66+68+70+73. Enter sum item 75 in item 93 of CIT-8. | 74 | 75 |

**Table 7. CIT-8/0 data fields on deductions for loss carry-forward (section B.2)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **B.2. DEDUCTIONS OF LOSSES INCURRED IN PREVIOUS YEARS FROM INCOME** The amount of the deduction for losses in each positions, respectively, and the total amount of losses reported in items 94 and 115 or 94 and 136 cannot exceed the amount of income reported in items 71 or 72 CIT-8, decreased by the amount in items 72 or 73 of CIT-8/O. | | | | |
| **B.2.1. LOSSES FROM PREVIOUS YEARS lowering income according to the rules in force until 31 December 2017.** | | | | |
| Year of loss | Amount of loss | The amount of the loss deducted in previous years | The amount of losses to be deducted  in the current year | The amount of losses from previous years deductible: sum of the amounts of item. 79, 83, 87, 91 and 95 |
| 76 | 77 | 78 | 79 |  |
| 80 | 81 | 82 | 83 |  |
| 84 | 85 | 86 | 87 |  |
| 88 | 89 | 90 | 91 |  |
| 92 | 93 | 94 | 95 | 96 |
| **B.2.2. CAPITAL LOSSES FROM PREVIOUS YEARS** | | | | |
| Year of loss | Amount of loss | The amount of the loss deducted in previous years | The amount of losses to be deducted  in the current year | The amount of losses from previous years deductible: sum of the amounts of item 100, 104, 108, 112 and 116 |
| 97 | 98 | 99 | 100 |  |
| 101 | 102 | 103 | 104 |  |
| 105 | 106 | 107 | 108 |  |
| 109 | 110 | 111 | 112 |  |
| 113 | 114 | 115 | 116 | 117 |
| **B.2.3. LOSS FROM OTHER SOURCES OF REVENUE FROM PREVIOUS YEARS** | | | | |
| Year of loss | Amount of loss | The amount of the loss deducted in previous years | The amount of losses to be deducted  in the current year | The amount of losses from previous years deductible: sum of the amounts of item 121, 125, 129, 133 and 137. |
| 118 | 119 | 120 | 121 |  |
| 122 | 123 | 124 | 125 |  |
| 126 | 127 | 128 | 129 |  |
| 130 | 131 | 132 | 133 |  |
| 134 | 135 | 136 | 137 | 138 |

**Table 8. CIT-8/0 data fields on other deductible amounts (sections B.3 and B.4)**

|  |  |  |
| --- | --- | --- |
| **B.3. OTHER DEDUCTIONS FROM INCOME** | | |
|  | Income (revenue) from capital gains | Income (revenue)  from other sources |
| Deductions for gifts/donations made based on separate Acts of law  The amount of deductions for donations to the objectives listed in that Act may not exceed 10% of the amount of income disclosed in the item 90 or 91 CIT-8 decreased by the amount from the item. 74 or 75 CIT-8 / O. | 139 | 140 |
| Deductions for gifts/donations to religious practices, as per art. 18 par. 1 pt 7 of the Act  The amount of deductions for gifts/donations cannot exceed 10% of the amount of income disclosed in the item 90 or 91 of CIT-8 decreased by the amount in item. 74 and 75 of CIT-8 / O. | 141 | 142 |
| Deduction for gifts/donations for vocational training purposes - art. 18 para. 1 pt. 8 of the Act  The amount of deductions for gifts/donations cannot exceed 10% of the amount of income disclosed in the item 90 or 91 of CIT-8 decreased by the amount in item. 74 and 75 of CIT-8 / O. | 143 | 144 |
| Deductions for gifts/donations made based on separate Acts of law | 145 | 146 |
| Total deductions for gifts/donations  Item 147=139+141+143+145.  Item 148=140+142+144+146.  The sum (139+141+143) may not exceed 10% of income, reported in items 90 in CIT-8, less the amount from the item 74 in CIT-8 / O.  The sum (140+142+144) cannot exceed 10% of income, reported in the item 91 in CIT-8 decreased by the amount of the item 75 in CIT-8 / O. | 147 | 148 |
| Deduction in accordance with Article. 18 paragraph 1, item 6 of the Act  In banks - 20% of the amount of credits (loans) redeemed in connection with the restructuring program under separate acts, qualified for lost loans (loans) and included in cost of revenues. | 149 | 150 |
| Title | 151 |  |
| Item 152=deductions other than deductions listed in items 139, 141, 143, 145, and 149  Item 153=deductions other than deductions listed in items 140, 142, 144, 146 and 150 | 152 | 153 |
| Total other income deductions  Item 154=147+149+152.  Item155= 148+150+153. | 154 | 155 |
| **B.4. TOTAL DEDUCTIONS FROM INCOME** | | |
| Total income deductions  Item 156=96+117+154.  Item 157=96+138+155.  The amount deducted in items 156 and 157, showed in position 96, cannot exceed this amount. | 156 | 157 |

**Table 9. CIT-8/0 data fields on allowance for capital expenditure (section C)**

**and deductions from the taxable amount (section D)**

|  |  |  |
| --- | --- | --- |
| **C. ALLOWANCE FOR CAPITAL EXPENDITURE**  The sum of the amounts deducted in different positions, and the total amount of deductions cannot exceed the amount in items 90 or 91 of CIT-8 decreased by the sum of the amounts in items 74 and 156 and 75 and 157 of CIT-8 / O | | |
| Investment expenditures, referred to in art. 39 par. 4 of the Act | 158 | 159 |
| Additional reduction of income, available pursuant to § 10 of Ordinance of Council of Ministers of 24 January 1995 on deduction of investment expenditures from income and reductions of income tax in municipalities at risk of particularly high structural unemployment (Journal of Laws item 63, as subsequently amended) in connection with art. 6 par. 2 of the Act | 160 | 161 |
| Total deductions from income  Item 162=158+160  Item 163=159+161.  These amounts should enter respectively in position **104 or 105 of CIT-8**. | 162 | 163 |
| **D. DEDUCTIONS FROM TAXABLE AMOUNT**  The amount of the deduction may not exceed the amount of the item **108 of CIT-8** | | |
| Expenditures incurred to obtain new technology or other deductions not shown elsewhere in the tax return. This amount enters pos **110 of CIT-8**. | 164 | |

**Table 10. CIT-8/0 data fields on (other) exempt and deductible amounts (section E)**

|  |  |
| --- | --- |
| **E. EXEMPTIONS, TAX FORGONE, TAX REDUCTIONS AND DEDUCTIONS FROM TAX**  The sum of the amounts deducted in different positions, and the total amount of deductions not exceed the amount of the tax item. 126 of CIT-8 | |
| Deductions from tax as per art. 20 of the Act | 165 |
| Other deductions from tax | 166 |
| Number of decision of the Minister of Finance | 167 |
| Exemption pursuant to art. 23 of the Act of 14 June 1991 on companies with foreign participation (Journal of Laws item 253, as subsequently amended) | 168 |
| Date of decision of the Minister of Finance | 169 |
| Date of Regulation | 170 |
| Tax collection forgone pursuant to Ordinances of Minister competent for public finance | 171 |
| The title of Regulation (list) | 172 |
| Title (list) | 173 |
| Reductions based on other titles | 174 |
| The tax reduction pursuant to Article. 1a. 10c paragraph 1 of the Act | 175 |
| Total exemptions, tax forgone, tax reductions and deductions from tax  The sum of the amounts of the item. 165, 166, 168, 171, 174 and 175. The amount of these enter pos. 127 of CIT-8. | 176 |

**Table 10. CIT-8/0 data fields on general information (section F)**

|  |  |
| --- | --- |
| **F. GENERAL INFORMATION** | |
| **F.1. DATA ON REVENUES FROM DIVIDENDS AND OTHER REVENUES FROM SHARE IN PROFITS OF LEGAL PERSONS AND ON TAX COLLECTED BY THE PAYER (ART. 22 OF THE ACT)** | |
| Income (revenues) referred to in art. 10 of the Act, in the amount listed in CIT-5 form or CIT-6AR declaration, allocated to statutory objectives, or other objectives listed in art. 17 par. 1 | 177 |
| Income (revenues), as referred to in Article. Paragraph 7b. 1 point 1 of the Act in connection with Art. 17 paragraph. 1 Section 20 of the Act, in connection with art. 14 of the Act of 30 March 2012. On the repeal of the Act on National Investment Funds and their privatization and certain other acts (Dz. U. pos. 596), is subject to reporting, in the fiscal year indicated in the item. 4 and 5. | 178 |
| Income (revenues) referred to in art. 7b, para 1 item 1 of the Act, other than listed in description of fields 177 and 178, but subject to taxation | 179 |
| Tax on income (revenues) collected by payer, from field 179, however in the amount no greater than listed in “Information on collected income tax” | 180 |
| Tax on income remitted directly by the taxpayer, from field 179, however in the amount no greater than listed in declaration CIT-6AR | 181 |
| **F.2. DATA ON TAX-FREE INCOMEACCORDING TO ART. UST 17. 1 LAW USED AND OBJECTIVES IN unspent STATUTORY OR OTHER OBJECTIVES REFERRED TO IN THE PREPARATION** | |
| Sum of income achieved in the fiscal year, and in preceding years, including income achieved before 1995 (art. 6 par. 2 of the Act of 2 December 1994 on amending certain Acts regulating principles Of taxation and certain other Acts - Journal of Laws of 1995 item 25), but not expended until the end of the fiscal year - art. 25 par. 4 of the Act | 182 |
| **F.3. DATA ON PAYMENTS MADE TO FOREIGN LEGAL PERSONS WITH NO REGISTERED OFFICE IN THE TERRITORY OF POLAND AND TAX COLLECTED FROM THEM** | |
| Amounts, referred to in art. 21 of the Act | 183 |
| Tax withheld from payments listed in field 183 – art. 26 par. 1 of the Act | 184 |

**Annex 1. Form CIT-8 (UNEDITED)**

|  |  |  |
| --- | --- | --- |
| **A. Place and purpose of filing of the declaration** | | |
| **B. Tax payer information** | | |
| **C. Information regarding attachments** | | |
| **D. DETERMINATION OF INCOME / LOSS** | | |
| **D.1. Income** | Income from capital gains | Income from other sources |
| Revenues from income sources in the territory of the Republic of Poland  without revenues discussed in (art. 2 para. 1, art. 21 and art. 22 of the Act). | 48 | 49 |
| Revenues from income sources located outside the territory of the Republic of Poland.  Revenues equivalent to the revenue category mentioned in art. 21 para 1 of the Act and revenue from dividends and other revenue from share in profits of other legal entities that are not registered in Poland. | 50 | 51 |
| Revenues from income sources located outside the territory of the Republic of Poland - other than those referred to in item. 50 or 51 | 52 | 53 |
| Revenue generated on in-kind contribution to the company in the form of commercialized intellectual property pursuant to art. 12 paragraph. 1b Section 5 of the Act, in conjunction with Art. Article. 12 of the Law of 4 November 2016. Amending certain laws defining the conditions for conducting innovative activity (Dz. U. item. 1933), subject to the demonstration in the fiscal year indicated in the item. 4 and 5 | 54 | 55 |
| Total revenue  Position. 56 is a sum of positions 48, 50, 52 i 54. Position. 57 is a sum of positions. 49, 51, 53 i 55. | 56 | 57 |
| **D.2. Cost of obtaining income** | Cost of income from capital gains | Cost of income from other sources |
| Cost of obtaining revenue in the listed item. 48 or 49 | 58 | 59 |
| Cost of obtaining revenue in the listed item. 50 or 51 | 60 | 61 |
| Cost of obtaining revenue in the listed item. 52 or 53 | 62 | 63 |
| Cost of obtaining revenue in the listed item. 54 or 55 | 64 | 65 |
| Interest, excluded from tax deductible expenses for the previous five years, which pursuant to art. 15c of the Act are subject to inclusion in tax-deductible expenses in the fiscal year, indicated in fields 4 and 5 | 66 | 67 |
| The cost of debt financing deducted in the previous five years from costs obtaining income, subject pursuant to Art. 15c of the Act charged to cost of revenue in the fiscal year indicated in the item. 4 and 5 | 68 | 69 |
| The costs referred to in Article. 15e Act, not deducted in the previous five years of tax-deductible costs, subject pursuant to Art. 15e paragraph. 9 of the Act charged to cost of revenue in the fiscal year indicated in the item. 4 and 5 | 70 | 71 |
| Total cost of obtaining revenue  Position 72 is a sum of positions 58, 60, 62, 64, 66, 68 i 70.  Position 73 is a sum of position 59, 61, 63, 65, 67, 69 i 71. | 72 | 73 |
| **D.3. Income/loss** | Income/loss from capital gains income | Income/loss from other income sources |
| Income (Art. 7, paragraph. 2 of the Act): From amounts in positions 56 or 57 you need to deduct amount in positions 72 or 73 respectively. If the difference is negative, put in 0. | 74 | 75 |
| Loss (Art. 7, paragraph. 2 of the Act): From amounts in positions 72 or 73 you need to deduct amount in positions 56 or 57 respectively. If the difference is negative, put in 0. | 76 | 77 |
| Loss related to provisions of art. 7 par. 3–4a of the Act and loss from sources of revenue listed in the item respectively. 52 or 53, subject to deduction from taxable income abroad | 78 | 79 |
| Income: If value of 0 was entered in items 76 or 77 respectively, add the amount from item 78 or 79 to the amount in item 74 or 75 respectively. If the amount in item 76 or 77 is greater than 0, and the amount in item 78 or 79 is greater than the amount in item 76 or 77, respectively, deduct the amount from item 76 or 77 from the amount in item 78 or 79 respectively. In other cases, enter 0. | 80 | 81 |
| Loss: If the amount in item 76 or 77 is greater than 0 and greater than the amount in item 78 or 79, respectively, deduct the amount from item 78 or 79 from the amount in item 76 or 77, respectively. In other cases enter 0. | 82 | 83 |
| **D.4. Amounts increasing income/ decreasing loss** | Income/loss from capital gains income | Income/loss from other income sources |
| Amounts increasing income/ decreasing loss | 84 | 85 |
| Loss after deduction: From the amount in item 82 or 83, deduct the amount from item 84 or 85, respectively. If the difference is negative, enter 0. | 86 | 87 |
| Income to add: From the amount in item 84 or 85, deduct the amount from item 82 or 83, respectively. If the difference is negative, enter 0. | 88 | 89 |
| Income after addition: To the amount in item 80 or 81, please add the amount from item 88 or 89, respectively | 90 | 91 |
| **E. DETERMINATION OF TAX BASE/LOSSES** | | |
| **E.1. Tax free revenue (income) and deductions** | tax free revenue (income) and deduction from capital gains | tax free revenue (income) and deduction from other income sources |
| Total tax-free revenue (income)  Enter the amounts from the item 74 and 75 of CIT-8 / O. | 92 | 93 |
| Income after deduction of tax-free revenue (income) | 94 | 95 |
| Deduction from income losses from previous years according to the rules in force until 31 December 2017 | 96 | 97 |
| Income after the deduction of losses from previous years according to the rules in force until 31 December 2017. | 98 | 99 |
| Other income deductions:  Enter the amount respectively from item 156 or 157 of Annex CIT-8 / O. The deducted amount cannot exceed the amount of income respectively from item 90 or 91 reduced by the amount of pos. 92 or 93. | 100 | 101 |
| Total income deductions:  Enter the amount respectively from item 156 or 157 of Annex CIT-8 / O. The deducted amount cannot exceed the amount of income respectively from item 90 or 91 reduced by the amount of pos. 92 or 93. | 102 | 103 |
| Deductions for investment expenditures:  Enter the amount respectively from item 162 or 163 of Annex CIT-8 / O. The deducted amount cannot exceed the amount of income respectively from item 90 or 91 reduced by the sum of amounts respectively from item 92 and 102 or 93 and 103. | 104 | 105 |
| Total tax-free income (revenues) and deductions  In item 106, enter the sum of the amounts from the item 92, 102 and 104.  In item 107, enter the sum of the amounts from the item 93, 103 and 105. | 106 | 107 |
| **E.2. Tax base/loss** |  | |
| The tax base:  If the sum of the amounts in items 90 and 91 is greater than 0, enter the sum of items 90 and 91 reduced by the sum of items 106 and 107. If either item 90 or 91 equals 0, do not reduce the sum of items 90 and 91 by amounts in items 106 or 107, which corresponds to item 90 or 91, respectively, where value of 0 was entered. In other cases and if the result is negative, enter 0. | 108 | |
| Loss:  From the sum of items 86 and 87 and items 106 and 107, deduct the sum of items 90 and 91. If item 86 or 87 equals 0, do not add the amount from item 106 or 107 (corresponding to item 90 or 91, which equals 0) to the sum of items 86 and 87, and do not deduct the amount from item 90 or 91 which is greater than 0. If the difference is negative, enter 0. | 109 | |

|  |  |
| --- | --- |
| **E.3. Deductions from taxable amount** |  |
| Taxable amount deductions for expenditures incurred to obtain new technology  Enter the amount from item 164 of CIT-8 / O. | 110 |
| Taxable amount deductions for cost of obtaining revenue, incurred due to R&D activity  Enter the amount from item 42 of CIT / BR Annex. | 111 |
| Total deductions from taxable amount  Sum of positions 110 and 111. | 112 |
| **E.4. Amounts increasing taxable amount/reducing loss** |  |
| Amount of investment expenditures, deducted in previous years – in connection with loss of eligibility for deductions | 113 |
| Amount of tax-free income from business operations conducted in a special economic zone – in connection with loss of eligibility for deductions | 114 |
| Amount of expenditures incurred to obtain new technology – in connection with loss of eligibility for deductions | 115 |
| Titles | 116 |
| Other increments to the tax base | 117 |
| Total amount increasing taxable amount / reducing loss  Sum of amounts in positions 113, 114, 115 i 117. | 118 |
| **E.5. Taxable amount/loss after accounting for part E.3 and E.4 amounts** |  |
| The tax base:  If the amount in item 108 is greater than 0, enter the amount from item 108 less the amount from item 112 and increased by the amount from item 118. If the amount in item 108 is equal to 0, and the amount in item 109 is smaller than the amount in item 118, reduce the amount in item 118 by the amount from item 109. In other cases or if the result is negative, enter 0. | 119 |
| Taxable amount taxed at 19% tax rate (art. 19 para. 1 point 1 of the Act) | 120 |
| Taxable amount taxed at 9% tax rate (art. 19 para. 1 point 2 of the Act) | 121 |
| Loss:  Pos. 122 is not completed if the amount from pos. 119 is greater than 0. In other cases, the amount from item 109, the amount from pos. 118. If the difference is a negative number, enter 0. | 122 |
| **F. CALCULATION OF TAX DUE AMOUNT**. If in item 24 has been marked with square No. 1, item F is not completed. 129 and 130. |  |
| The tax rate - Art. 19 of the Act (19% or 9%) | 123 |
| Tax due according to 19% rate, calculated based on the amount in position 120 | 124 |
| Tax due according to 9% rate, calculated based on the amount in position 121 | 125 |
| Sum of tax due - sum of amounts in positions 124 and 125. | 126 |
| Tax deductions – amount from position 176 in CIT-8/O attachment. Deduction can't exceed the amount in position 126. | 127 |
| Tax due after deductions, for fiscal year indicated in fields 4 and 5 (amount)  From the amount in position 126 deduct amount in position 127. | 128 |
| Year | 129 |
| 20% of tax amount due, reported in statement for the fiscal year subject to exemption referred to in art. 25 par. 11 - 16 of the Act | 130 |
| **G. AMOUNT OF DUE MONTHLY ADVANCE REMITTANCES (ART. 25 PAR. 1, 1a AND 6 OF THE ACT) OR QUARTERLY ADVANCE REMITTANCES (ART. 25 PAR. 1b AND 1c OF THE ACT) AND TAX AMOUNT AS REFERRED TO IN ARTICLE 24B OF THE ACT** | |
| **H. DIFFERENCE BETWEEN TAX AMOUNT DUE AND ADVANCE REMITTANCES DUE (amount)** | |
| **I. AMOUNT TO BE PAID / OVERPAYMENT** | |
| **J. SEPARATE TAX OBLIGATION – revenues expended by taxpayers, referred to in art. 17 par. 1 of the Act for purposes other than specified in same provisions, or for the purposes specified in those provisions, but after deadlines set forth therein - art. 25 par. 4 of the Act (amount)** | |
| **K. OTHER TAX OBLIGATIONS (Amounts)** | |
| **L. Additional Information** | |

**Annex 2. Form CIT-8/0 (UNEDITED)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **A. Identification of taxpayer (items 1-6)** | | | | | | |
| **B. Revenue (income) free of income tax and deductions** | | | | | | |
| **B.1. Revenue (income) free or exempt from tax** | | | | Income (revenue) from capital gains | | Income (revenue) from other sources |
| Tax-free Income, allocated to statutory objectives or other objectives specified in Article. 17 paragraph 1, point 4d, 4u-4g, 5a, 26, 37, 42, 43, 45 and 46 of the Act | | | | 7 | | 8 |
| Revenue from sale of entirety or part of a building constituting a part of a farm – free from tax pursuant to Art. 17 paragraph. 1 point 1 of the Act | | | | 9 | | 10 |
| Income free from tax pursuant to Article. 17 paragraph 1 point 3 of the Act achieved outside of Poland, if the international agreement states so | | | | 11 | | 12 |
| Income (revenues free from tax pursuant to Article. 17 paragraph 1 point 4 of the Act in part allocated to statutory objectives | | | | 13 | | 14 |
| Income of church legal persons and revenues of companies wholly owned by church legal persons – free from tax pursuant to art. 17 par. 1 pt 4a and 4b of the Act | | | | 15 | | 16 |
| Revenues of companies, whose shareholders are exclusively organizations operating pursuant to the Law on Associations – free from tax pursuant to art. 17 par. 1 pt 5 of the Act | | | | 17 | | 18 |
| Revenues of public benefit organizations – free from tax pursuant to art. 17 par. 1 pt 6c of the Act, in part allocated to statutory activity, excluding business activity | | | | 19 | | 20 |
| Revenues from non-agricultural activity and special sections of agricultural activity – free from tax pursuant to art. 17 par. 1 pt 15 of the Act | | | | 21 | | 22 |
| Subsidies, subventions, copayments and other free of charge benefits – free from tax pursuant to art. 17 par. 1 pt 21 of the Act | | | | 23 | | 24 |
| Income free from tax pursuant to art. 17 par. 1 pt 23 and 24 of the Act | | | | 25 | | 26 |
| Income tax-free in accordance with Article. 17 paragraph 1 Section 34 of the Act, obtained from economic activities carried out in the special economic zone  fill taxpayers who have acquired the right to the exemption after 31 December 2000. | | | | 27 | | 28 |
| Direct payments under the Common Agricultural Policy of the European Union – tax free pursuant to art. 17 par. 1 pt 36 of the Act | | | | 29 | | 30 |
| Written off receivables and debts allocated to payer agencies within the framework of Common Agricultural Policy – free of tax pursuant to art. 17 par. 1 pt 36a of the Act | | | | 31 | | 32 |
| Revenues of trade unions, social and professional organizations of farmers, agricultural chambers, economic chambers, organizations of artisans, self-government, co-operative audit associations, employer’s organizations and political parties - free from tax pursuant to art. 17 par. 1 pt 39 of the Act | | | | 33 | | 34 |
| Membership fees from members of political, social and professional organizations, pursuant to art. 17 par. 1 pt 40 of the Act | | | | 35 | | 36 |
| Revenues of housing co-operatives, home-owners associations, social housing associations and self-government organizational units, operating in the area of housing management, achieved based on Housing resources management - free from tax pursuant to art. 17 par. 1 pt 44 of the Act – in part allocated to objectives related to maintenance of those resources | | | | 37 | | 38 |
| Subsidies received from the state budget, or budgets of self-government units – free from tax pursuant to rt. 17 par. 1 pt 47 of the Act | | | | 39 | | 40 |
| Amounts received from government agencies or executive agencies – free from tax pursuant to art. 17 par. 1 pt 48 of the Act | | | | 41 | | 42 |
| Revenues of a group of agricultural producers - free from tax pursuant to art. 17 par. 1 pt 49 of the Act | | | | 43 | | 44 |
| Income (revenues) from payments within the framework of financial programs with participation of EU funds – free from tax pursuant to art. 17 par. 1 pt 52 of the Act – received from Bank Gospodarstwa Krajowego (National Development Bank) | | | | 45 | | 46 |
| Income (revenues) from financial means, received by a participant of a project – free from tax pursuant to art. 17 par. 1 pt 53 of the Act | | | | 47 | | 48 |
| Payments into assistance fund, made by participants of a protection system - free from tax pursuant to art. 17 par. 1 pt 55 of the Act | | | | 49 | | 50 |
| Income free of tax pursuant to Article. 17 paragraph 1 Section 57 of the Act | | | | 51 | | 52 |
| Revenue (income) free of tax pursuant to Article. 17 paragraph 1 Section 58 of the Act | | | | 53 | | 54 |
| Other income (revenues) free from tax pursuant to art. 17 par. 1 of the Act, except from those listed in fields 7-54 | | | | 55 | | 56 |
| Income free of tax to the extent specified by law in Article. 40 par. 2 Section 3 of the Act | | | | 57 | | 58 |
| Revenues of companies managing special economic zones – free from tax pursuant to secondary legislation pertaining to the Act of 20 October 1994 on special economic zones (Journal of Laws of 2017, item 1010) | | | | 59 | | 60 |
| Manager’s tax-free revenues pursuant to art.17 clause 1 point 59 of the Act | | | | 61 | | 62 |
| Income free from tax pursuant to the Act on special economic zones and secondary legislation pertaining to that Act, based on permits received before 1 January 2001, achieved by taxpayers, who did not apply for a change of permits, as per art. 6 of the Act of 2 October on amending the Act on special economic zones and certain other Acts (Journal of Laws No. item 1840, as subsequently amended) | | | | 63 | | 64 |
| Income free from tax pursuant to the Act on special economic zones and secondary legislation of that Act, based on permits received before 1 January 2001, by taxpayers, who use the exemption based on amended permit and at the same time have not exceeded the maximum allowed amount of public aid (art.5 of the Act referred to in fields 63 and 64) | | | | 65 | | 66 |
| Income free from tax pursuant to art. 20 par. 3 of the Act | | | | 67 | | 68 |
| Income from sale of shares or interests, free from tax pursuant to art. 14 of the Act of 25 September 2015. on amending certain Acts with purpose of supporting innovation (Journal of Laws item 1767, as subsequently amended) | | | | 69 | | 70 |
| Title name | | | | 71 | |  |
| Other tax free (exempt) income (revenues), including those based on separate Acts of law | | | | 72 | | 73 |
| Total tax-free income  In the item. 74 enter sum the amount of the item. 7, 9, 11, 13, 15, 17, 19, 21, 23, 25, 27, 29, 31, 33, 35, 37, 39, 41, 43, 45,  47, 49, 51, 53, 55, 57, 59, 61, 63, 65, 67, 69 and 72. In the item. 75 enter sum the amount of the item. 8, 10, 12, 14, 16, 18, 20, 22,  24, 26, 28, 30, 32, 34, 36, 38, 40, 42, 44, 46, 48, 50, 52, 54, 56, 58, 60, 62, 64, 66, 68, 70 and 73.  The amount should be entered respectively in position. 92 or 93 of CIT-8. | | | | 74 | | 75 |
| **B.2. DEDUCTIONS OF LOSSES INCURRED IN PREVIOUS YEARS FROM INCOME** The amount of the deduction for losses in each positions, respectively, and the total amount of losses reported in items 94 and 115 or 94 and 136 cannot exceed the amount of income reported in items 71 or 72 CIT-8, decreased by the amount in items 72 or 73 of CIT-8/O. | | | | | | |
| **B.2.1. LOSSES FROM PREVIOUS YEARS lowering income according to the rules in force until 31 December 2017.** | | | | | | |
| Year of loss | Amount of loss | The amount of the loss deducted in previous years | The amount of losses to be deducted  in the current year | | The amount of losses from previous years deductible: sum of the amounts of item. 79, 83, 87, 91 and 95 | |
| 76 | 77 | 78 | 79 | |  | |
| 80 | 81 | 82 | 83 | |  | |
| 84 | 85 | 86 | 87 | |  | |
| 88 | 89 | 90 | 91 | |  | |
| 92 | 93 | 94 | 95 | | 96 | |
| **B.2.2. CAPITAL LOSSES FROM PREVIOUS YEARS** | | | | | | |
| Year of loss | Amount of loss | The amount of the loss deducted in previous years | The amount of losses to be deducted  in the current year | | The amount of losses from previous years deductible: sum of the amounts of item 100, 104, 108, 112 and 116 | |
| 97 | 98 | 99 | 100 | |  | |
| 101 | 102 | 103 | 104 | |  | |
| 105 | 106 | 107 | 108 | |  | |
| 109 | 110 | 111 | 112 | |  | |
| 113 | 114 | 115 | 116 | | 117 | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **B.2.3. LOSS FROM OTHER SOURCES OF REVENUE FROM PREVIOUS YEARS** | | | | | | | |
| Year of loss | Amount of loss | The amount of the loss deducted in previous years | The amount of losses to be deducted  in the current year | | | The amount of losses from previous years deductible: sum of the amounts of item 121, 125, 129, 133 and 137. | |
| 118 | 119 | 120 | 121 | | |  | |
| 122 | 123 | 124 | 125 | | |  | |
| 126 | 127 | 128 | 129 | | |  | |
| 130 | 131 | 132 | 133 | | |  | |
| 134 | 135 | 136 | 137 | | | 138 | |
| **B.3. OTHER DEDUCTIONS FROM INCOME** | | | | | | | |
|  | | | | | Income (rev) from capital gains | | Income (rev) from other sources |
| Deductions for gifts/donations made based on separate Acts of law: The amount of deductions for donations to the objectives listed in that Act may not exceed 10% of the amount of income disclosed in the item 90 or 91 CIT-8 decreased by the amount from the item. 74 or 75 CIT-8 / O. | | | | | 139 | | 140 |
| Deductions for gifts/donations to religious practices, as per art. 18 par. 1 pt 7 of the Act  The amount of deductions for gifts/donations cannot exceed 10% of the amount of income disclosed in the item 90 or 91 of CIT-8 decreased by the amount in item. 74 and 75 of CIT-8 / O. | | | | | 141 | | 142 |
| Deduction for gifts/donations for vocational training purposes - art. 18 para. 1 pt. 8 of the Act  The amount of deductions for gifts/donations cannot exceed 10% of the amount of income disclosed in the item 90 or 91 of CIT-8 decreased by the amount in item. 74 and 75 of CIT-8 / O. | | | | | 143 | | 144 |
| Deductions for gifts/donations made based on separate Acts of law | | | | | 145 | | 146 |
| Total deductions for gifts/donations  In the item 147 enter the sum of amount from items 139, 141, 143 and 145. In the item 148 enter the sum of amount from items 140, 142, 144 and 146.  The sum of amounts from items 139, 141 and 143 may not exceed 10% of income, reported in items 90 in CIT-8, less the amount from the item. 74 in CIT-8 / O. The sum of the amounts from items 140, 142 and 144 cannot exceed 10% of income, reported in the item 91 in CIT-8 decreased by the amount of the item 75 in CIT-8 / O. | | | | | 147 | | 148 |
| Deduction in accordance with Article. 18 paragraph 1, item 6 of the Act  In banks - 20% of the amount of credits (loans) redeemed in connection with the restructuring program under separate acts, qualified for lost loans (loans) and included in cost of revenues. | | | | | 149 | | 150 |
| Title | | | | | 151 | |  |
| Deductions other than deductions listed in items 139, 141, 143, 145, and 149, or  Deductions other than deductions listed in items 140, 142, 144, 146 and 150 | | | | | 152 | | 153 |
| Total other income deductions  In the item. 156 enter the sum of amounts from items 96, 117, and 154. In the item 157 enter the sum of amounts from items 96, 138 and 155. The amount deducted in positions 156 and 157, showed in position 96, cannot exceed this amount. | | | | | 154 | | 155 |
| **B.4. TOTAL DEDUCTIONS FROM INCOME** | | | | | | | |
| Total income deductions  In the item. 156 enter the sum of amounts from items 96, 117, and 154. In the item 157 enter the sum of amounts from items 96, 138 and 155. The amount deducted in positions 156 and 157, showed in position 96, cannot exceed this amount. | | | | | 156 | | 157 |
| **C. ALLOWANCE FOR CAPITAL EXPENDITURE**  The sum of the amounts deducted in different positions, and the total amount of deductions cannot exceed the amount in items 90 or 91 of CIT-8 decreased by the sum of the amounts in items 74 and 156 and 75 and 157 of CIT-8 / O | | | | | | | |
| Investment expenditures, referred to in art. 39 par. 4 of the Act | | | | | 158 | | 159 |
| Additional reduction of income, available pursuant to § 10 of Ordinance of Council of Ministers of 24 January 1995 on deduction of investment expenditures from income and reductions of income tax in municipalities at risk of particularly high structural unemployment (Journal of Laws item 63, as subsequently amended) in connection with art. 6 par. 2 of the Act | | | | | 160 | | 161 |
| Total deductions from income: In the item. 162 enter sum the amount of the item. 158 and 160. In the item. 163 enter sum the amount of the item. 159 and 161. These amounts should enter respectively in position. 104 or 105 of CIT-8. | | | | | 162 | | 163 |
| **D. DEDUCTIONS FROM TAXABLE AMOUNT**  The amount of the deduction may not exceed the amount of the item. 108 of CIT-8 | | | | | | | |
| Expenditures incurred to obtain new technology or other deductions not shown elsewhere in the tax return. This amount enters pos. 110 of CIT-8. | | | | | 164 | | |
| **E. EXEMPTIONS, TAX FORGONE, TAX REDUCTIONS AND DEDUCTIONS FROM TAX**  The sum of the amounts deducted in different positions, and the total amount of deductions not exceed the amount of the tax item. 126 of CIT-8 | | | | | | | |
| Deductions from tax as per art. 20 of the Act | | | | 165 | | | |
| Other deductions from tax | | | | 166 | | | |
| Number of decision of the Minister of Finance | | | | 167 | | | |
| Exemption pursuant to art. 23 of the Act of 14 June 1991 on companies with foreign participation (Journal of Laws item 253, as subsequently amended) | | | | 168 | | | |
| Date of decision of the Minister of Finance | | | | 169 | | | |
| Date of Regulation | | | | 170 | | | |
| Tax collection forgone pursuant to Ordinances of Minister competent for public finance | | | | 171 | | | |
| The title of Regulation (list) | | | | 172 | | | |
| Title (list) | | | | 173 | | | |
| Reductions based on other titles | | | | 174 | | | |
| The tax reduction pursuant to Article. 1a. 10c paragraph 1 of the Act | | | | 175 | | | |
| Total exemptions, tax forgone, tax reductions and deductions from tax  The sum of the amounts of the item. 165, 166, 168, 171, 174 and 175. The amount of these enter pos. 127 of CIT-8. | | | | 176 | | | |
| **F. GENERAL INFORMATION** | | | | | | | |
| **F.1. DATA ON REVENUES FROM DIVIDENDS AND OTHER REVENUES FROM SHARE IN PROFITS OF LEGAL PERSONS AND ON TAX COLLECTED BY THE PAYER (ART. 22 OF THE ACT)** | | | | | | | |
| Income (revenues) referred to in art. 10 of the Act, in the amount listed in CIT-5 form or CIT-6AR declaration, allocated to statutory objectives, or other objectives listed in art. 17 par. 1 | | | | 177 | | | |
| Income (revenues), as referred to in Article. Paragraph 7b. 1 point 1 of the Act in connection with Art. 17 paragraph. 1 Section 20 of the Act, in connection with art. 14 of the Act of 30 March 2012. On the repeal of the Act on National Investment Funds and their privatization and certain other acts (Dz. U. pos. 596), is subject to reporting, in the fiscal year indicated in the item. 4 and 5. | | | | 178 | | | |
| Income (revenues) referred to in art. 7b, para 1 item 1 of the Act, other than listed in description of fields 177 and 178, but subject to taxation | | | | 179 | | | |
| Tax on income (revenues) collected by payer, from field 179, however in the amount no greater than listed in “Information on collected income tax” | | | | 180 | | | |
| Tax on income remitted directly by the taxpayer, from field 179, however in the amount no greater than listed in declaration CIT-6AR | | | | 181 | | | |
| **F.2. DATA ON TAX-FREE INCOMEACCORDING TO ART. UST 17. 1 LAW USED AND OBJECTIVES IN unspent STATUTORY OR OTHER OBJECTIVES REFERRED TO IN THE PREPARATION** | | | | | | | |
| Sum of income achieved in the fiscal year, and in preceding years, including income achieved before 1995 (art. 6 par. 2 of the Act of 2 December 1994 on amending certain Acts regulating principles Of taxation and certain other Acts - Journal of Laws of 1995 item 25), but not expended until the end of the fiscal year - art. 25 par. 4 of the Act | | | | 182 | | | |
| **F.3. DATA ON PAYMENTS MADE TO FOREIGN LEGAL PERSONS WITH NO REGISTERED OFFICE IN THE TERRITORY OF POLAND AND TAX COLLECTED FROM THEM** | | | | | | | |
| Amounts, referred to in art. 21 of the Act | | | | 183 | | | |
| Tax withheld from payments listed in field 183 – art. 26 par. 1 of the Act | | | | 184 | | | |

**Annex 3. Article 7, paragraphs 3 and 4 of the Income Tax Act**

**Box 1. Article 7, paragraphs 3 and 4 of the Income Tax Act**

3. While determining the income referred to in paragraph 1 constituting the tax base the following shall not be taken into account:

1) revenues from sources located within the territory of the Republic of Poland or abroad, provided that incomes from such sources are not taxable by income tax or are tax-exempt;

2) the revenues listed in Articles 21, 22 and 24b, provided that, in the case of taxpayers referred to in Article 3, paragraph 2 and carrying on the activity through a foreign establishment situated in the territory of the Republic of Poland, the revenues listed in Article 21 shall be taken into account if they are connected with the activity of the establishment;

2a) the loss incurred on account of the source of revenues;

3) revenue earning costs referred to in subparagraphs 1 and 2, provided that in the case of taxpayers referred to in Article 3, paragraph 2 and carrying on the activity through a foreign establishment situated in the territory of the Republic of Poland, the costs of earning the revenues listed in Article 21 shall be taken into account if these revenues have been taken into account by the taxpayer while assessing the income attributable to the foreign establishment;

4) losses of the entrepreneurs being transformed, merged, taken over or divided - in the case of transformation of a legal form, merger or division of entrepreneurs, except for the transformation of a company (partnership) into another company (partnership);

5) losses of State enterprises being taken over or purchased under the provisions on commercialization and privatization;

6) the losses of a credit institution connected with the activity of the branch of such credit institution whose component assets were contributed to the company as a non-cash contribution to found a bank under the provisions of the Act of 29 August 1997 - Banking Law (Dziennik Ustaw 2002, No. 72, item 665, as amended).

4. While assessing the loss, no revenues and revenue earning costs referred to in paragraph 3 above shall be taken into account, and in the case of transformation of the legal form, merger or division of entrepreneurs, the losses of entrepreneurs under such transformation, merger, takeover or division except for companies (partnerships) transformed into other companies (partnerships) shall not be taken into account either.

4a. While assessing the loss, neither the losses of State enterprises being taken over or purchased under the provisions on the commercialization and privatization, nor the losses of a credit institution connected with the activity of the branch of such credit institution, the branch's component assets having been contributed to the company as a non-cash contribution to found a bank under the provisions of the Act of 29 August 1997 - Banking Law, shall be taken into account.

1. For example, gross ‘income’ amounts in section D.1 are gross revenue amounts, and ‘income’ amounts in section D.3 (see items 74 and 75) are *net income* amounts (i.e., net of costs shown in section D.2). [↑](#footnote-ref-1)
2. It is unclear why this particular source of revenue is separately reported, while other sources of revenue are not. Links between this reporting and reporting in schedule CIT/IP on intellectual property should be examined. [↑](#footnote-ref-2)
3. It is unclear what these additional costs of debt financing are. [↑](#footnote-ref-3)
4. Article 15e is cited as the relevant legislation providing for the deduction of these ‘other costs of debt financing’. [↑](#footnote-ref-4)
5. The terms ‘net capital gains from domestic and foreign sources’ and ‘net profit from domestic and foreign sources’ are not used in the tax return which refers to both as ‘Income”. In this paper, these (inserted) terms are used to help understand the calculations. ‘Net capital gains from domestic and foreign sources’ refers to the amount reported in Item 74. ‘Net profit from domestic and foreign sources’ refers to the amount reported in Item 75 which (presumably) is net profit other than net capital gains reported in Item 74 (which would include net profit from business activities and from other investments (excluding capital gains)). [↑](#footnote-ref-5)
6. It is unclear whether a) Item 56 reports proceeds (revenue) from the disposition of capital assets less the acquisition cost of capital assets, while Item 72 reports other (e.g., legal) costs, or instead b) Item 56 reports proceeds from the disposition of capital assets, and Item 72 reports acquisition plus other costs of capital dispositions. In either case, Item 74 reports net capital gains (if any) from domestic and foreign sources. [↑](#footnote-ref-6)
7. The terms ‘total revenue from the sale of capital assets’ and ‘total costs of sales of capital assets’ are not used in the tax return, but are used in this paper to refer to Items 56 and 72. In the tax return, these terms are referred to as ‘total revenue’ and ‘total cost of obtaining revenue.’ [↑](#footnote-ref-7)
8. The terms ‘total other revenue’ and ‘total costs of obtaining other revenue’ are not used in the tax return, but are used in this paper to refer to Items 57 and 73. In the tax return, these terms are referred to as ‘total revenue’ and ‘total cost of obtaining revenue’ (i.e., used also to refer to Items 56, 72). [↑](#footnote-ref-8)
9. The terms ‘net capital losses from domestic and foreign sources’ and ‘net losses from domestic and foreign sources’ are not used in the tax return which refers to both as ‘loss’. [↑](#footnote-ref-9)
10. A simpler approach would take the difference between gross revenue and cost (56-72), which would be positive, zero or negative. [↑](#footnote-ref-10)
11. Item 78 reports capital losses from sources outside Poland, corresponding to revenue Item 52. Item 52 reports revenues relating to capital gains from sources outside Poland, other than revenues relating to capital gains from sources outside Poland reported in Item 50. Thus, Item 78 (presumably) reports capital losses from sources outside Poland, other than capital losses calculated as Item 50 (revenues relating to capital gains from sources outside Poland) minus Item 60 (costs of obtaining revenues relating to capital gains from sources outside Poland). Equivalently, Item 78 reports capital losses from sources outside Poland, calculated as Item 52 (revenues relating to capital gains from sources outside Poland other than revenues relating to capital gains referred to in Item 50) minus Item 62 (costs of obtaining revenues relating to capital gains from sources outside Poland other than revenues referred to in Item 50). [↑](#footnote-ref-11)
12. Item 79 reports net losses from sources outside Poland, corresponding to revenue item 53. Item 53 reports revenues from sources outside Poland, other than revenues from sources outside Poland reported in Item 51. Thus, Item 79 (presumably) reports net losses from sources outside Poland, other than net losses calculated as Item 51 (revenues from sources outside Poland) minus Item 61 (costs of obtaining revenues from sources outside Poland). Equivalently, Item 79 reports net losses from sources outside Poland, calculated as Item 53 (revenues from sources outside Poland other than revenues referred to in Item 51) minus Item 63 (costs of obtaining revenues from sources outside Poland other than revenues referred to in Item 51). [↑](#footnote-ref-12)
13. Item 76 is restricted to be non-negative. [↑](#footnote-ref-13)
14. More precisely, the instructions for Item 76 specify that Item 76=0 when (Item 72-Item 56)<0 (i.e., net capital gain). [↑](#footnote-ref-14)
15. The term ‘net capital losses from foreign sources’ is used here to refer to capital losses related to Article 7 par.3-4a of the Act and net capital losses from sources outside Poland (Item 78). [↑](#footnote-ref-15)
16. Both Item 74 and Item 76 are restricted to be non-negative. [↑](#footnote-ref-16)
17. Item 77 is restricted to be non-negative. [↑](#footnote-ref-17)
18. More precisely, the instructions for Item 77 specify that Item 77=0 when (Item 73-Item 57)<0 (i.e., net profit). [↑](#footnote-ref-18)
19. The term ‘net losses from foreign sources’ is used here to refer to (non-capital) losses related to Article 7 par.3-4a of the Act and net losses from sources outside Poland (Item 78). [↑](#footnote-ref-19)
20. Both Item 75 and Item 76 are restricted to be non-negative. [↑](#footnote-ref-20)
21. The terms ‘revised adjusted net capital gain’ and ‘revised adjusted net profit’ are not used in the tax return, but are used in this paper to refer to Items 90 and 91. In the tax return, these terms are referred to as ‘income after addition.’ [↑](#footnote-ref-21)
22. As noted in the main text, Item 80 (adjusted net capital gains from domestic and foreign sources) is calculated as follows, depending on Item 76: Case 1) if Item 76=0 then Item 80=Item 74 (positive net capital gains from domestic and foreign sources) plus Item 78 (capital losses related to Article 7 par.3-4a of the Act plus net capital losses from sources outside Poland). This calculation presumes losses in Item 78 are reported as a negative amount (so that in calculating Item 80, Item 78 foreign losses are netted against Item 74 net gains. Case 2) if Item 76>0, the calculation of Item 80 depends on whether (Item 78>Item 76) or instead (Item 78<Item 76). If (Item 78>Item 76) holds, Item 80 is calculated as (Item 78-Item 76), where Item 78≤0, Item 76≥0, and Item 80≤0. As noted in the main text, the interpretation is unclear. The condition (Item 78>Item 76) is implausible if Item 78 is a negative amount and Item 76 is a non-negative amount. If instead (Item 78<Item 76), then Item 80=0. This result is unclear, as the condition (Item 78<Item 76) would always hold if Item 78 is a negative amount and Item 76 is a non-negative amount. [↑](#footnote-ref-22)
23. As noted in the main text, the calculation for Item 81 (adjusted net profit from domestic and foreign sources) differs depending on whether Item 76=0 or Item 76>0 (as with the calculation for Item 80). For details, see the main text. [↑](#footnote-ref-23)
24. The terms ‘revised adjusted net capital loss’ and ‘revised adjusted net loss’ are not used in the tax return, but are used in this paper to refer to Items 86 and 87. In the tax return, these terms are referred to as ‘loss after addition.’ [↑](#footnote-ref-24)
25. The various components of ‘total tax-free revenue (income)’ are reported in Section B of schedule CIT8/0. [↑](#footnote-ref-25)
26. These calculations need to be confirmed, as the netting is not specified in the CIT-8 return. [↑](#footnote-ref-26)
27. These calculations need to be confirmed, as the netting is not specified in the CIT-8 return. [↑](#footnote-ref-27)
28. The term ‘other taxable income’ is used here to refer to taxable non-capital income (i.e., taxable income other than taxable capital gains). [↑](#footnote-ref-28)
29. To impose this cap, the Item 100 and 101 ‘Other income deductions’ in schedule CIT-8 are capped to not exceed taxable income (schedule CIT-8 Items 90 and 91) minus tax-free revenue (Items 92 and 93). [↑](#footnote-ref-29)
30. In particular, the line for Items 102 and 103 repeats the constraint showing in the previous line (i.e., Enter the amount respectively from item 156 or 157 of Annex CIT-8 / O. The deducted amount cannot exceed the amount of income respectively from item 90 or 91 reduced by the amount of pos. 92 or 93). [↑](#footnote-ref-30)
31. Recall that Item 90 reports income from capital gains/losses, and Item 91 reports income (or loss) from other sources. [↑](#footnote-ref-31)