Reforming Poland's capital gains taxation

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Key numbers and findings

0.7%	share of revenue from capital income taxation in the total tax revenue in Poland. It is significantly lower than the EU average of 2.3%.
15,000 PLN	value of assets owned by a median household in Poland in 2016 (latest available data). When recalculating this number to the conditions of 2024, it would amount to approximately 30,000 PLN.
3/4	share of profits gained by the top 1% of taxpayers trading on the stock exchange in Poland.
8.5%	tax rate on the revenue from real estate rental in Poland. Low taxation of revenue from real estate management distorts market incentives – it inflates the flow of capital to the real estate market and deflates those to the capital market.

- **Poland earns exceptionally low public revenue from capital gains taxation.** Such gains are taxed much lower than, for instance, wages. Moreover, the scope of the capital gains tax is incomplete – primarily, it does not include the gains from real estate management.

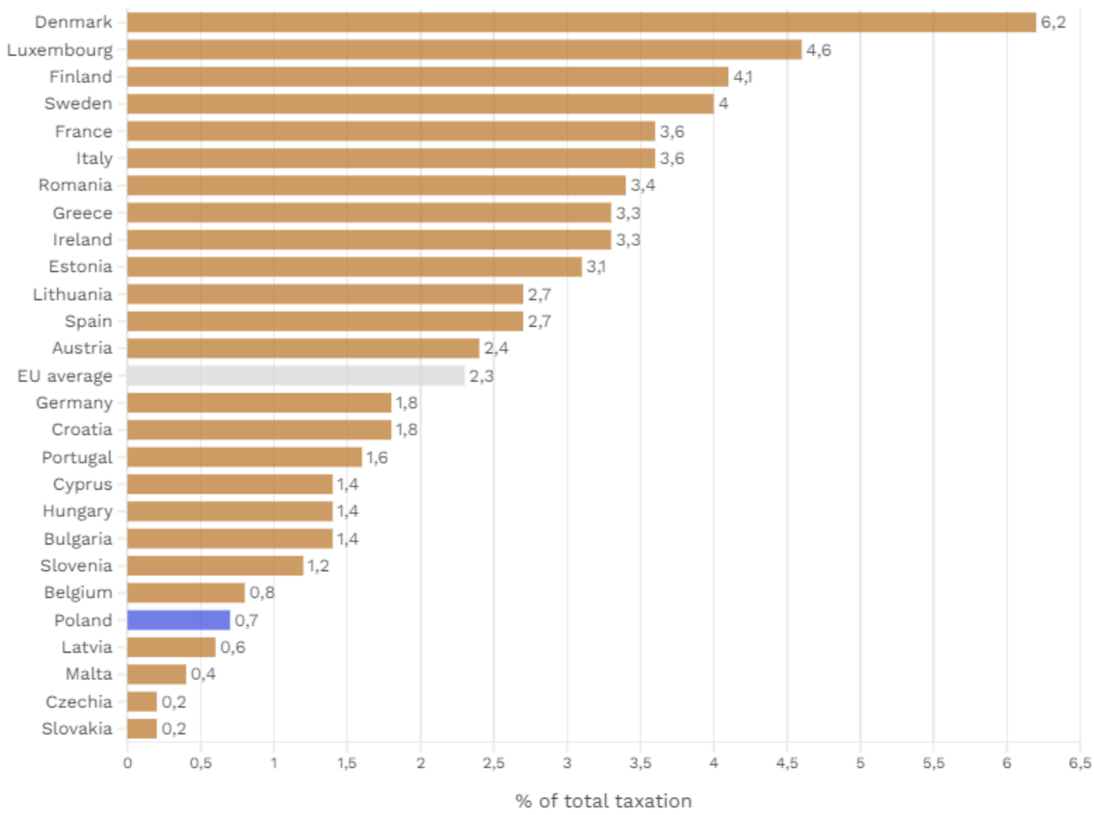
- **The capital gains tax reform proposed by the Ministry of Finance is necessary but not ambitious enough.** It can lead to further marginalisation of this tax and does not challenge its current limited scope. The benefits for households with low and medium income will be low – counter to the arguments used in the public debate.

- **The tax-free allowance of 200,000 PLN proposed by the Ministry of Finance will primarily benefit high-income earners.** Capital gains are highly concentrated among the wealthiest households. Low- and medium-income individuals will not have enough capital to fully deduct the tax-free amount.

- **We recommend including the capital gains and the income from real estate management into a single progressive PIT return** (together with income from other sources). This would be the step towards a coherent system of progressive income taxation in Poland. It would also minimise the distortions in the allocation of resources between the capital and the real estate market.

Revenue from capital gains tax is extremely low in Poland

Taxes on capital income of households as a percentage of total taxation (2021)



Source: Instrat's own elaboration based on Eurostat data. Note: The Netherlands is missing, since strong preferences for capital income taxation in this country result in effectively negative state revenue from this source.

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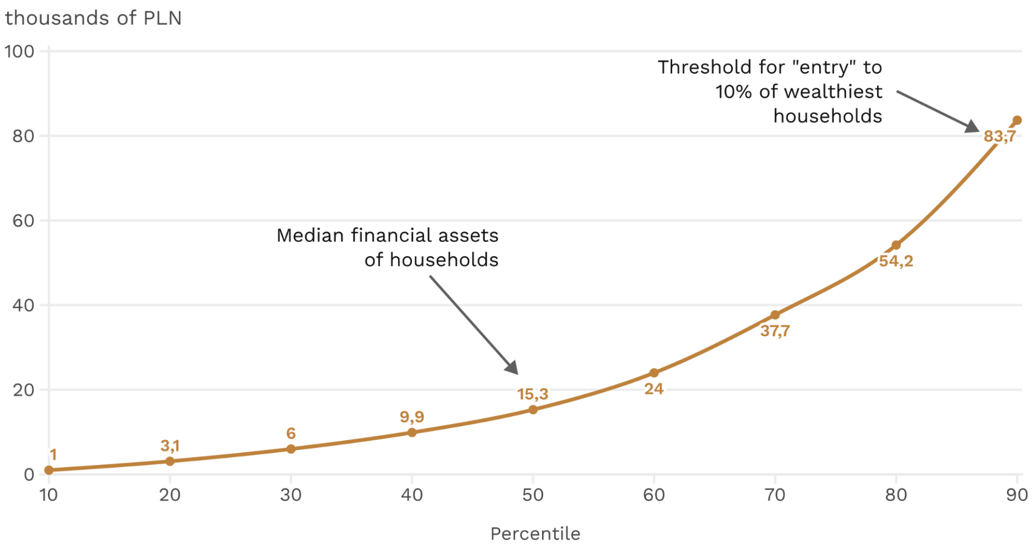
Most households do not have significant financial assets

Distribution of financial assets of Polish households by percentiles (2016, thousands of PLN)



Source: Instrat's own elaboration based on NBP data.

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