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Changing Tax Residency

A Guide for Those Considering Relocation for Tax Purposes

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Introduction. The Great Escape and the Wall the State Builds

> *"What at first was plunder assumed the softer name of revenue."*
>
> Thomas Paine

In 2025 a record of roughly one hundred and forty-two thousand wealthy individuals worldwide relocated to another country, by the Henley & Partners count, and the figure has been climbing year on year; tax is one of the principal engines of that migration. The reason is often coolly quantifiable, yet beneath it lies something more elemental: a sense that the levy has crossed the line separating a contribution to the common good from coercion. That conviction has a long intellectual pedigree, from the eighteenth-century pamphleteers to the libertarian economists of the twentieth century, and whether or not one shares it, it is hard to deny that it drives real decisions taken by real people. When the rate and the burden rise, some taxpayers simply rise from the table and leave.

Consider an accident of geography that explains why leaving is possible at all. A German entrepreneur and a Cypriot entrepreneur, identical in every respect, the same

industry, the same scale, the same diligence, inhabit two entirely different fiscal realities. One thing distinguishes them: where they stand. This is the foundational architecture of international tax law, in which it is not identity but location that determines the size of the levy. If that is so, location can be changed, and with it the burden. On this rests the entire idea of changing one's tax residence.

Where do people flee to? The destinations fall into three families. The first comprises zero personal-income-tax jurisdictions: the United Arab Emirates and Dubai, Monaco, the Gulf states. The second comprises territorial systems, which tax only domestic income and leave foreign income untouched: Panama, Paraguay, and, with qualifications, Georgia. The third comprises the non-dom and lump-sum regimes of Europe: Cyprus, Malta, Italy, Greece. This landscape is not static. The clearest proof is the year 2025, in which the United Kingdom abolished its non-dom regime of more than two centuries' standing, and wealth migrated almost overnight to Cyprus, Malta, Italy, and Dubai. The map of escape shifts faster than many suppose.

Governments have noticed, and they do not watch passively. Every departing taxpayer is a gap in the base, and the erosion of the base is a political problem, not merely an accounting one. The response came in coordinated form, largely through the OECD and the European Union, and over time it turned a change of residence from a simple gesture into an operation hedged about with barriers. Anyone planning an exit today contends not with a gap in the law but with a deliberate system designed precisely to intercept such exits.

How do states block it? The wall has three main spans, and each has its own part in this book. The first is the exit tax, a tax on unrealised gains, which taxes the appreciation in a person's assets at the gate, before the taxpayer passes through it. The second is the rules on controlled foreign companies (CFC), which reach across the border to a company set up in a low-tax jurisdiction and attribute its income to the Polish resident. The third, the quietest and the most effective, is the automatic exchange of information, which has dismantled banking secrecy and made concealing income cease to be a strategy. Over all of this presides the requirement of authenticity: an arrangement built solely for a tax advantage, without a genuine transfer of life, remains fragile, and the treaty principal purpose test, discussed under the treaties, together with the requirement of economic substance, strips it of effectiveness.

Hence the paradox that is the axis of this entire book. The state's wall is high, but it was built to stop fictions, not people who have genuinely moved. A change of residence remains lawful, feasible, and safe, on one condition only: that it is real, that is, that it corresponds to a genuine decision about where a person wishes to live, work, raise children, and build a future. It loses its sense only when it becomes a paper fiction laid over a life that in substance remained in the high-tax country.

Let us therefore set out the strongest counterargument at the outset, because intellectual honesty requires that it not be hidden. If the exit tax exists, if CFC rules

exist, if the general clause exists, and if the exchange of information covers almost everything, does changing residence make any sense at all? The answer is affirmative but conditional, and it coincides with the thesis of the preceding paragraph: it makes sense for those who genuinely move their lives, and loses it for those who wish to move only their documents.

On this foundation the rest of the guide is built. First the groundwork: what tax residence is and how domestic law determines it (Part I), and how a conflict between states is resolved under the treaties (Part II). Then the three spans of the wall: the exit tax (Part III), CFC (Part IV), and the enforcement of the law in the age of digital verification (Part V). Next a map of destinations with current data (Part VI), the mechanics of split-year residence (Part VII), alternatives that are often wiser than departure (Part VIII), a comparative perspective (Part IX), crypto-assets (Part X), succession consequences (Part XI), illustrative scenarios (Part XII), and finally the most frequent questions and typical answers (Part XIII). This guide is no substitute for individual analysis. Every situation is different, and in tax law the devil lies not in the rule but in the facts.

Part I. What Tax Residence Is, and What It Is Not

> *“The power to tax is the power to destroy.”*
>
> John Marshall

1. Four Concepts Clients Most Often Confuse

The first difficulty is conceptual. In conversations with clients, four distinct categories recur, used interchangeably though they mean entirely different things.

Citizenship is a legal bond with the state, in principle independent of taxation. Poland, unlike the United States, does not tax its citizens by reason of citizenship alone. One can be a Polish citizen and not be a Polish tax resident.

Registration of residence (zameldowanie) is an administrative and record-keeping act. It neither creates tax residence nor extinguishes it. A client who says "I have deregistered, so I am no longer a resident" commits a category mistake.

Place of stay is a physical fact: where a person is present. It matters for one of the residence criteria (the day count), but it does not by itself decide the question.

Tax residence is the status that determines the scope of tax liability, that is, whether a state taxes the whole of a person's worldwide income or only income from sources within its territory. This is the true subject of this book, and it is this that must not be confused with the other three.

The practical consequence is as follows. One may rent a luxury apartment in Dubai and remain a Polish tax resident. One may buy a villa in the Swiss Alps and still be subject to unlimited Polish tax liability. Residence is not a function of an address, of a property owned, or of the date of deregistration. It is derivative of where life actually centres.

2. The Polish Criteria of Residence

The starting point is Article 3 of the Act of 26 July 1991 on Personal Income Tax (hereinafter: the PIT Act). The construction is deceptively simple. A person who has their place of residence in the territory of the Republic of Poland is subject to tax on the whole of their income regardless of the location of its sources. This is so-called unlimited tax liability (Article 3(1) of the PIT Act).

A person is treated as having their place of residence in Poland if they have in the territory of Poland their centre of personal or economic interests (centre of vital interests), or if they stay in the territory of Poland for more than 183 days in the tax year (Article 3(1a) of the PIT Act).

A person who has no place of residence in Poland is subject to tax only on income earned in the territory of Poland. This is so-called limited tax liability (Article 3(2a) of

the PIT Act), and the catalogue of income deemed to be earned in the territory of Poland is set out in Article 3(2b).

Here arises the first point that decides the fate of many a case and that clients consistently overlook. The decisive word is "or". The two criteria, the centre of vital interests and a stay exceeding 183 days, are disjunctive and independent. Satisfaction of either suffices to treat a person as a Polish resident. Moreover, because "or" appears within the very definition of the centre of vital interests (personal or economic interests), in practice we are dealing with three independent grounds: personal interests in Poland, economic interests in Poland, or a stay exceeding 183 days.

The practical conclusion is uncomfortable for anyone planning to leave. It is not enough to spend most of the year abroad. One may stay in Poland for fewer than 183 days and still remain a Polish resident if the centre of vital interests has not genuinely been transferred. That is precisely how the authorities read the provision: in the individual ruling of the Director of the Tax Chamber in Łódź of 7 February 2012 (IPTPB2/415-650/11-4/MP) it was stated expressly that grounds separated by the conjunction "or" mean that satisfaction of any one of them suffices, and that the 183-day criterion constitutes an independent basis of residence, separate from the centre of vital interests. In the same ruling the authority specified that the centre of personal interests covers all family ties, the home, social, political, and cultural activity, membership of organisations, and hobbies, while the centre of economic interests covers above all the place of gainful activity, the sources of income, investments held, immovable and movable property, insurance policies, loans, and bank accounts.

3. The Centre of Vital Interests

The centre of vital interests is a concept the statute does not exhaustively define and which the tax authorities and the administrative courts fill with content by assessing the totality of the circumstances.

Personal interests comprise family and social ties: where the spouse and children live, where the children attend school, where social life, activity, and organisational membership are concentrated. Economic interests comprise the sources of income, the place where activity is carried on, the location of assets, the place from which finances are managed, bank accounts, insurance policies, and loans.

It is worth dispelling an illusion that operates in both directions. The tax and interpreting authorities do indeed incline towards a pro-fiscal reading, seeking to retain a taxpayer in Polish residence on the strength of isolated circumstances. The administrative courts, however, consistently correct that tendency, requiring an assessment of the totality of the facts rather than a halt at a single fact. The Supreme Administrative Court (NSA), in its judgment of 28 September 2018 (case II FSK 2653/16), held that retaining property in Poland (let out during the period abroad), holding bank accounts, or remaining within the Polish social-insurance system do not

in themselves evidence a centre of life in Poland; the retention of assets is a factor, but not a decisive one, and the taxpayer's functioning within a defined family and social setting abroad also carries weight. Similarly, in its judgment of 15 May 2015 (case II FSK 964/13) the court held that the fact of residing abroad together with one's family, a child's attendance at the local school, and the use of that state's public services cannot be ignored when establishing the centre of vital interests. The conclusion for the taxpayer is favourable but qualified: the case law requires the relocation of life to be genuine and documented by the totality of the facts, not merely declared.

The most frequent evidentiary problem lies in the splitting of interests. It happens that economic interests (a business, contracts, investments) are moved abroad while personal interests (family, home, children at a Polish school) remain in Poland, or vice versa. Here lies a trap that must be understood precisely. The tax explanations of the Minister of Finance of 29 April 2021 on the tax residence of natural persons confirm that the centre of personal interests and the centre of economic interests are assessed separately and independently, and that the presence in Poland of either of them suffices to locate the centre of vital interests here. The consequence is inconvenient for anyone planning to leave: it is not enough to move one centre, both must be moved, because leaving even one of them in Poland anchors Polish residence. In practice the personal centre most often decides, and within it, as the explanations expressly indicate, the factor most frequently taken into account is the presence in Poland of a spouse, a partner, or minor children.

Hence the most painful and most common mistake in practice: leaving the family in Poland. The contrast is visible in interpretive practice itself. Where the family stays in the country and only the taxpayer departs, the authorities as a rule maintain Polish residence and full, unlimited taxation. Where the family moves together, the children attend the local school, and home life genuinely shifts abroad, the road to limited liability opens. An entrepreneur who moves to Dubai while his wife and children continue to live in a house outside Warsaw, to which he regularly returns, remains in the vast majority of cases a Polish resident, even with an Emirati visa, a tax number, and a rented apartment in the Marina. Separating family life from professional life, although sometimes unavoidable in practice, is one of the most difficult configurations in tax terms.

4. The 183-Day Criterion and Its Traps

The criterion of stay seems the most measurable, yet it too conceals traps.

First, every commenced day of presence in the territory of Poland counts towards the 183 days, including the days of arrival and departure, weekends, holidays, and days off, whereas a full day spent outside Poland does not count; the stay need not be continuous, and for a longer, multi-year presence the threshold is examined separately for each calendar year. This is confirmed expressly by the explanations of the Minister of Finance of 29 April 2021, which require the method of "days of physical presence" to

be applied. Counting only "working days" is a mistake. The number of days may itself be contentious in evidentiary terms: in the cited judgment II FSK 964/13 the Supreme Administrative Court observed that from the fact of performing work on specified dates abroad one cannot uncritically infer non-presence there on the remaining days, and that a schedule of business trips (used to calculate remuneration) is something other than a calendar of actual presence; a certificate of residence may be one of the means of proving presence.

Second, and more importantly, the mere failure to satisfy the 183-day criterion does not decide the loss of Polish residence. Since the grounds are disjunctive, the second route remains: the centre of vital interests. A person who has spent 150 days in Poland but has retained here their family, home, and sources of income remains a Polish resident despite not crossing the threshold.

Third, exceeding the 183-day threshold in Poland likewise does not automatically determine unlimited tax liability where a double taxation treaty comes into play. In its judgment of 10 January 2020 (case II FSK 119/18) the Supreme Administrative Court held that a Dutch citizen's stay in Poland of more than 183 days in a year is not in itself sufficient to treat him as a Polish resident on the whole of his income, because in a case of dual residence the place of taxation is decided not by the day count alone but by the two-stage analysis involving the treaty; his place of residence for tax purposes accordingly remained outside Poland, and in Poland he was subject only to limited tax liability. The mechanism is two-stage: the domestic criterion of Article 3(1a) of the PIT Act sets the point of departure, but in cases of dual residence the treaty tie-breaker decides (on which see Part II). This shows how subtle these assessments can be and how risky it is to base a strategy on a single criterion.

5. Certificate of Residence, Residence Permit, and Tax Residence: Three Different Things

Here lives one of the most dangerous myths. A client obtains a residence permit in an attractive state and believes that he has thereby changed his tax residence. This misunderstanding can cost a fortune.

A residence permit (residence card) is an administrative document confirming the right to stay in a given state. It creates no tax status, whether in the issuing state or in Poland.

A certificate of tax residence is a document issued by the tax administration of a foreign state confirming that a given person is a tax resident there. Its significance is evidentiary, not constitutive. The certificate substantially strengthens the taxpayer's position, but it does not of itself create or remove residence. The Polish authority may treat a person as a Polish resident despite the person's holding a foreign certificate, if it establishes that the centre of vital interests has remained in Poland. The conflict is then resolved on the basis of the double taxation treaty, on which see Part II.

Tax residence is a substantive status arising from facts, not from documents. Documents are proof of facts, not their substitute.

The practical rule reads: a residence permit does not equal a certificate of residence, and a certificate of residence does not equal the loss of Polish residence. Three different things, three different effects.

Part II. Conflicts of Residence and Double Taxation Treaties

> *"If taxes are laid upon us without our having a legal representation where they are laid, we are reduced from the character of free subjects to the state of tributary slaves."*
> Samuel Adams

1. How Dual Residence Arises

During a transitional period, and sometimes permanently, two states may simultaneously treat the same person as their resident, each under its own domestic law. Poland may point to a centre of vital interests remaining on the Vistula, the destination state to a stay and a place of residence on its territory. A conflict of residence arises, carrying the risk of double, unlimited taxation of the same person.

2. The Tie-Breaker Rules

The conflict is resolved on the basis of the applicable double taxation treaty, typically modelled on Article 4 of the OECD Model Convention. The tie-breaker rules are applied in a cascade, in a strictly defined order, moving to the next criterion only where the previous one does not resolve the matter; the wording of a particular treaty may, however, depart from the model, which is why the analysis is always based on the given treaty as modified by the MLI, not on the model alone. The explanations of the Minister of Finance of 29 April 2021 describe this cascade in accordance with Article 4(2) of the treaties: first the permanent home, then the centre of vital interests (closer personal and economic ties considered together), next the habitual abode, then nationality, and as a last resort mutual agreement between the authorities.

One caveat has practical importance and is often overlooked. The tie-breaker rules come into play only where the same person is treated as a resident of both states under their respective domestic laws. If the domestic criteria locate residence in only one state, the tie-breaker rules are not reached at all. The Supreme Administrative Court confirmed this in judgment II FSK 2653/16, indicating that the conflict rules of a treaty apply solely in cases of dual residence, and not always and automatically.

The most important practical conclusion: in the majority of real disputes the matter is decided at the second tier, that is, on the centre of vital interests. This means that at the level of the international treaty too the key question remains the same as in domestic law, namely where the person's life actually unfolds.

It is essential to grasp the two-stage character of the whole construction, for it is this that orders one's thinking about a change of residence. The first stage is the domestic law of each state: it decides whether you are its resident at all. The second stage is the treaty: it enters only where both states simultaneously treat you as a resident, and it resolves that conflict in favour of one of them. From this follows a conclusion many

overlook: the applicable treaty is the one concluded between the two states that lay claim to you, and not necessarily the treaty with Poland. If a person is a credible resident of Cyprus while living in the Emirates and earning income there, his fate is decided primarily by the Cyprus-UAE treaty and Cypriot law, and the Poland-UAE treaty enters only where Poland has any basis at all for treating him as its resident. Establishing who lays claim to the taxpayer, and on what basis, is therefore the threshold question with which one must begin before reaching for any treaty at all.

3. The Worst Case: No Treaty at All

There is a configuration worse than a conflict of residence: the absence of a double taxation treaty between Poland and the destination state. Then there are no tie-breaker rules, no mechanism of exemption or credit, and the risk of real, double taxation of the same income becomes acutely concrete.

Here one must grasp the scale of the phenomenon. As the explanations of the Minister of Finance of 29 April 2021 indicate, Poland has concluded double taxation treaties with most of the states that are destinations for Polish emigration, including all states of the European Union and the European Economic Area with the exception of Liechtenstein. This covers the popular EU destinations, from Cyprus (the treaty has been in force since 1993) and Malta to Greece and Italy, while among non-EU destinations the network reaches, among others, the Emirates. But not every state has such a treaty, and the difference is fundamental. With a treaty state the taxpayer has a safety net: tie-breaker rules resolving dual residence and a method of eliminating double taxation. With a non-treaty state that net is absent, and the taxpayer is left to unilateral domestic mechanisms, usually less favourable. The same applies to exotic destinations without a developed treaty network.

This trap is well illustrated by the case of a person planning an investment in a state with which Poland has concluded no tax treaty. So long as the person remains a resident of that state and has no ties with Poland, the problem lies dormant. The trouble appears on return. The renewed acquisition of Polish residence means unlimited tax liability on income from that state, with no treaty mechanism to eliminate double taxation. Added to this are local regimes, for example a freshly introduced capital-gains tax in the state of investment, and domestic restrictions on ownership (the ban on direct ownership of land by foreigners typical of many jurisdictions, which forces indirect structures). The conclusion: before anyone changes residence in favour of a state without a treaty with Poland, they should analyse not only the exit but also the potential return.

From this flows a concrete strategic pointer that we apply in practice. If the desired destination has no treaty with Poland, or the treaty is unfavourable or unstable, the solution is sometimes to establish residence in a third state with which Poland has a treaty based on the standard OECD model, and to lead from that jurisdiction a life that will withstand the tie-breaker test. The choice of destination is therefore not only a

question of the rate, but of which treaty, and indeed whether any treaty, will protect the taxpayer in the event of a dispute. It must also be remembered that treaties differ in their method of eliminating double taxation: some apply the exemption-with-progression method, some the proportional-credit method, and following modification by the multilateral MLI Convention many treaties that historically used exemption have moved to credit. This materially alters the calculation for persons earning income in both states, which is why the analysis must not rest on a general impression of a given treaty but on its current wording as modified by the MLI. The explanations of the Minister of Finance of 29 April 2021 illustrate this with the example of the Poland-United Kingdom treaty, in which, as of 1 January 2020, by operation of the MLI, the method of eliminating double taxation changed from exemption with progression to proportional credit, which altered the taxpayer's very filing obligations.

4. Old-Generation Treaties and Anti-Abuse Clauses

Not all treaties are equal. Some Polish treaties are old-generation instruments, concluded in the 1990s, lacking modern anti-abuse clauses such as the limitation-on-benefits clause or the principal purpose test, and unmodernised by the multilateral MLI Convention.

This has two consequences pulling in opposite directions. On the one hand, the absence of anti-abuse clauses in the text of a treaty may work in the taxpayer's favour, since the treaty contains no built-in mechanism for denying benefits. On the other hand, that absence does not close to the authorities the route of resorting to domestic general anti-avoidance clauses, and in the event of geopolitical tension a further risk appears: the unilateral suspension by the other state of the application of particular articles of the treaty, which undermines certainty as to tax consequences and the evidentiary value of foreign certificates of residence. A strategy resting on an old-generation treaty therefore requires an assessment not only of its text but also of the stability of relations between the states.

Where the MLI has taken effect, by contrast, it introduced into the treaties the principal purpose test (PPT), and this element is of the first importance for a change of residence. Under the test a treaty benefit may be denied if obtaining it was one of the principal purposes of a given arrangement or transaction, unless granting the benefit would be in accordance with the object and purpose of the relevant treaty provisions. The consequence is the same as under the domestic general clause: mere compliance with the letter of the treaty is not enough. If an arrangement was built predominantly to obtain a tax advantage rather than for economic or personal reasons, the authority may deny treaty privileges despite formal satisfaction of their conditions. The PPT is the treaty twin of the domestic clause and operates in parallel with it, which makes a change of residence based solely on a tax motive a doubly fragile construction.

5. The Specifics of Selected Treaties

Some treaties contain conditions that nullify seemingly obvious benefits, and the best example is the relationship with the Emirates, the most frequently chosen zero-PIT destination. Poland has a double taxation treaty with the UAE (signed on 31 January 1993, in force from 21 April 1994, amended by a protocol of 11 December 2013), based on the OECD model and allocating the right to tax passive income as a rule to the state of residence. The problem, however, is not merely practical; it follows directly from the text of the treaty. As amended by the 2013 protocol, the treaty treats a natural person as a UAE resident only where that person is domiciled in the Emirates and is also a UAE national. A foreigner who is not an Emirati citizen therefore cannot acquire the status of a treaty resident of the UAE at all, regardless of the number of days spent there or of any certificate issued by the Emirati administration. The effect is severe: the treaty's tie-breaker rules are simply unavailable to such a person, and protection is afforded solely by the effective severance of the grounds of residence under Polish domestic law, that is, by the genuine transfer of the centre of vital interests. An Emirati residence visa, even a golden visa, does not by itself make the holder a UAE tax resident: formal UAE residence for domestic purposes requires 183 days of presence, or 90 days of presence combined with ties (a permanent home, an employer, or a business), in accordance with UAE Cabinet Decision No. 85 of 2022, in force from 1 March 2023, but satisfying these domestic conditions does not replace the treaty's citizenship requirement. This is the cardinal argument for reading the particular treaty and the particular requirements of the destination jurisdiction, rather than the marketing brochure for a given destination.

Part III. Exit Tax: The Hidden Cost of Leaving

> *"Estate taxes of the height they have already attained are no longer to be qualified as taxes. They are measures of expropriation."*
> LUDWIG VON MISES

1. Where It Came From and What It Serves

The exit tax, a tax on unrealised gains, is sometimes called an emigration tax (German *Wegzugsbesteuerung*, French *impôt de sortie*). Its idea is as follows: the economic value of assets accrued during the period in which the person was a resident of a given state, so that state wishes to tax that appreciation at the moment of loss of residence or transfer of assets abroad, before it loses tax jurisdiction. In the Polish legal order the exit tax was introduced as part of the transposition of the ATAD Directive.

The strongest objection to this construction, set out here at the outset in accordance with the principle of intellectual honesty, runs as follows: taxing a gain that has not yet been realised is taxing a fiction, since the taxpayer has sold nothing and earned nothing in cash, yet must nonetheless pay. This objection is not merely rhetorical; it was at the heart of disputes before the Court of Justice of the European Union, of which more shortly.

2. The Mechanics for a Natural Person

For a natural person the exit tax is governed by Article 30da et seq. of the PIT Act.

The subject of taxation is income from unrealised gains, calculated as a rule as the difference between the market value of an asset on the day preceding the change of residence and its tax value (the acquisition cost reduced by depreciation taken).

Three parameters are key. First, the asset threshold: the taxation of personal assets concerns persons whose assets covered by the regulation exceed a market value of PLN 4 million, and for assets within matrimonial joint property the threshold is counted jointly for both spouses. Below the threshold the question does not arise at all. Second, the residence-tenure condition: the taxation of personal assets applies to persons who were Polish residents for at least five years in total in the ten-year period preceding the change. Third, the rate: the basic rate is 19% (where the tax value of the asset is established), and the reduced rate is 3% (where the tax value is not established, which in practice rarely occurs). The settlement is made in a separate return.

Two timing matters have practical importance here. The return (form PIT-NZ) is filed by the 7th day of the month following the month in which the income from unrealised gains arose. The payment deadline, by contrast, has been substantially deferred: by a regulation of 22 September 2025 the deadline for paying the exit tax was postponed to 31 December 2027 for assets transferred between 2019 and 30 November 2027. The

filing obligation, however, remains unchanged, so deferral of payment does not relieve one of submitting the form on time.

There is also a reversibility mechanism worth knowing. If the taxpayer transfers the assets back to Poland or re-establishes Polish residence within five years, the exit tax paid is refundable. This matters for those who treat departure as a trial solution, although an instrumental, short-lived departure and return is itself sometimes a signal of artificiality.

The objective scope for natural persons is narrower than is commonly supposed. It concerns above all assets such as shares, stock, the totality of rights and obligations in a partnership, securities, and financial instruments, and not the whole of one's property indiscriminately.

3. The Mechanics for Legal Persons

For CIT taxpayers the exit tax is governed by Article 24f et seq. of the Corporate Income Tax Act (CIT Act), at a rate of 19%. What is taxed is the transfer of an asset, of residence, or of a permanent establishment outside the territory of Poland, to the extent that Poland loses the right to tax a future disposal. The tax base is the excess of the market value of the asset, established on the day of transfer (or on the day preceding the change of residence), over its tax value. The construction is analogous to that for natural persons: taxation of the appreciation accrued during the period of Polish jurisdiction. The statute provides for two mitigating elements. First, a credit mechanism: if the asset is abroad charged with a tax equivalent to the Polish exit tax, the amount paid abroad is credited (proportionally) against the tax computed in Poland. Second, a temporary transfer of an asset outside Poland for a period not exceeding twelve months (connected with liquidity management, transfer by way of security, or capital requirements) is in principle excluded from taxation.

4. What Is Covered, and What Raises Doubt

Here arises a problem clients raise most often, well illustrated by a real question from practice. Does the exit tax cover real property belonging to a limited liability company? Does it cover cash held by such a company? The client's intuition suggests that covering these assets would be unfair, since the company will in any case pay CIT on the sale of the premises, and the transfer of funds to a foreign account will in any case be charged with tax on interest and dividends.

The answer requires distinguishing two levels. As a rule, the exit tax on the side of a natural person changing residence concerns that person's personal assets covered by the regulation (typically shares in a company), and not directly the assets belonging to the company, which has separate legal personality. The company's assets (real property, cash) remain in its estate and are taxed at the company level under the CIT rules, including, where applicable, the exit tax rules for legal persons, were it the

company that transferred assets or residence. In other words, the personal layer and the corporate layer are two separate regimes and must not be conflated. Every concrete structure nonetheless requires individual analysis, because the value of a natural person's shares in a company is derivative of the value of the company's assets, and that shifts the problem onto the ground of valuation.

5. Deferral of Payment

The exit tax need not always be paid at once. For CIT taxpayers the statute provides for payment by instalments over a period not exceeding five years, counted from the end of the tax year in which the obligation arose, but only where the transfer is to a state of the European Union or the European Economic Area bound to Poland or the Union by an agreement on mutual assistance in the recovery of tax claims (Article 24i of the CIT Act). The deferral entails an extension fee, and where there is a real risk that the tax will not be recovered the authority makes it conditional on the provision of security. The deferral decision lapses, among other things, on the disposal of the transferred assets, their further transfer outside the EU and the EEA, or a renewed change of residence outside that area. This instrument has its source in the case law of the Union, which held immediate collection to be disproportionate, on which see below.

6. Compatibility with Union Law: The Court's Line of Authority

The compatibility of the exit tax with the treaty freedoms (freedom of establishment, free movement of capital) was the subject of landmark judgments of the Court of Justice of the European Union. They trace an evolution from an approach restrictive of the states to a more permissive one, subject however to the condition of proportionality.

In de Lasteyrie du Saillant (C-9/02) the Court questioned a French mechanism that de facto penalised a taxpayer for exercising the freedom of movement, holding the immediate taxation of unrealised gains on departure to be an obstacle to the exercise of the freedom of establishment. In N v Inspecteur (C-470/04) the Court developed that thought in relation to a Netherlands solution. In National Grid Indus (C-371/10) there came a turn towards a more balanced approach: the Court accepted that a state may tax gains accrued on its territory, but held that immediate collection is disproportionate and that the taxpayer must be allowed to defer payment until actual realisation. This line was continued in subsequent rulings, including those concerning trust structures (the Panayi case, C-646/15) and, in the context of the free movement of persons and the agreement with Switzerland, in Wächtler (C-581/17), a case also relied upon by the Polish Ministry of Finance.

The principle that can be drawn from this is simple. A state has the right to tax appreciation arising during the period of its jurisdiction, but the manner of collection must be proportionate, which in practice means an obligation to permit deferral. The Polish payment-deferral mechanism is precisely a response to that standard.

7. A Typical Mistake: The Company Is Loss-Making, So There Is No Exit Tax

A frequent and costly misunderstanding rests on the assumption that, since a company is loss-making, it has no value, and so no exit-tax obligation will arise. This is a mistake. What matters for the exit tax is the market value of the shares, not the company's current profitability. A company may show operating losses while its shares have a high market value, for example by reason of real property held, a trade mark, a customer base, or potential. Current profitability and market value are two different magnitudes. The only consolation here is the asset threshold: below it the problem does not arise, so in many cases the matter turns out to be academic. This, however, must be verified rather than assumed.

8. Planning Around the Exit Tax

From the foregoing flows a practical conclusion that constitutes the typical content of pre-departure advice. The first step is valuation: commissioning a professional valuation of shares, securities, and other covered assets to establish whether the PLN 4 million threshold will be crossed at all. The second is to consider which is more advantageous: paying the exit tax on the unrealised appreciation, or deliberately realising the gain while still a Polish resident (a sale and a possible re-entry into the asset with a new, higher cost base), which in some configurations works out cheaper. Each variant has its own consequences, so the decision should follow from calculating both, not from reflex. It is worth noting, finally, that the very construction of the Polish exit tax remains the subject of questions as to its compatibility with Union law. By an order of May 2025 the Regional Administrative Court in Warsaw (case III SA/Wa 566/25) referred questions to the Court of Justice, asking among other things whether the tax may be levied at the moment of the change of residence rather than on a disposal, and on the hypothetical value of the assets; this is a further reason to track the state of the law at the moment of decision rather than to rely on a settled impression.

Part IV. CFC: The Foreign-Company Trap

> *"The State is a coercive criminal organization that subsists by a regularized large-scale system of taxation-theft."*
>
> Murray N. Rothbard

1. The Logic of the Regulation

The rules on controlled foreign companies (CFC) respond to a simple avoidance pattern: a Polish resident sets up a company in a low-tax jurisdiction, accumulates income in it (especially passive income), and does not distribute it to Poland, thereby deferring or eliminating Polish taxation. The CFC regulation says: what matters is not where the company has its seat, but who controls it. If a Polish resident controls it and the remaining conditions are met, the company's income is attributed to that resident and taxed in Poland, irrespective of whether it was actually distributed to him.

2. The Mechanics

The basis is Article 24a of the CIT Act, with a counterpart on the PIT side. It is worth noting at once the broad personal scope: the notion of a foreign entity covers not only companies but also foreign foundations, trusts, and other entities and fiduciary relationships in which a Polish resident is a founder or beneficiary. Qualification rests on several tests.

The control test. As a rule this concerns holding, directly or indirectly, more than 50% of the capital, of the voting rights, or of the rights to share in profit, with the proviso that since 2019 the holding is counted jointly with related entities, and as of 2022 also jointly with other Polish taxpayers holding at least 25%. This is a significant change from the earlier state of the law, in which the threshold was 25% and the holding had to last continuously for at least thirty days (the time condition was repealed in 2019).

The income-character (passivity) test. An entity satisfies this condition where at least 33% of its revenue derives from passive sources: dividends, interest, royalties, gains on the disposal of instruments, and, following amendments, also certain intangible services (advisory, accounting, market research) and copyright and industrial property. This threshold was lowered from the former 50% to 33%.

The effective-taxation test. This examines whether the actual taxation of the entity in its state of seat is materially lower than the tax that would be due in Poland if that entity were a Polish tax resident. The hypothetical Polish tax is determined by applying the 19% rate, without taking account of Polish reliefs and without the deduction of losses from prior years. For a time two different threshold values circulated. The earlier clarification referred to a rate lower by at least 25% than the 19% rate, which corresponded to effective taxation of at most 14.25%. Following the transposition of the ATAD Directive the legislature modified the wording of the provision, moving away

from a simple comparison of nominal rates towards a comparison of the tax actually paid abroad with the tax hypothetically due in Poland. In practice this still means examining whether the tax actually paid is at least 25% lower than the tax computed by applying the Polish 19% rate, which translates into an effective-taxation threshold of the order of 14.25%. The exact calculation must be carried out in each case for the concrete entity, on the basis of the current wording of Article 24a(3)(3)(c) and (3a) of the CIT Act.

In addition to the above, the statute provides for automatic qualification: if an entity has its seat or management in a state regarded as a tax haven, or in a state with which neither Poland nor the Union has an agreement constituting a basis for the exchange of tax information, it becomes a controlled foreign company even with a small and short-lived holding, without the need to examine the remaining grounds. Following the amendments of 2021 and 2023 there were added further categories of asset-heavy entities (so-called shell companies with large assets and negligible revenue) and entities with a high return on assets, which further broadens the scope of the regulation.

3. The Effect: Full Inclusion

The effect of qualification as a CFC is severe. The Polish shareholder must recognise the foreign entity's income in his Polish settlement and tax it at the domestic rate, irrespective of whether the income was distributed to him. We are speaking of full inclusion of the entity's income, not only of its passive income. The benefit of low taxation in the foreign jurisdiction is thereby neutralised.

4. Economic Substance as a Defence

The most important line of defence against CFC qualification, and at the same time the condition of effectiveness of most foreign structures, is genuine economic substance. One limitation must, however, be flagged at once, for it determines the choice of jurisdiction. The exclusion from the CFC regime on the ground of carrying on substantive genuine economic activity operates fully in respect of entities established in a Member State of the European Union or the European Economic Area; in respect of entities outside that area it is narrower and conditioned, among other things, on the existence of a legal basis for the Polish authority to obtain tax information (Article 24a(16) and (18) of the CIT Act). Substance built outside the Union therefore protects more weakly than substance within it, and it is precisely this difference, rather than the attractiveness of the rate alone, that should weigh in the choice of jurisdiction. A company that exists only on paper, without an office, staff, real decision-making functions, and risk borne, is defenceless in tax terms. A company with genuine activity, a local team, actual management, and real economic functions has an argument the authority cannot easily rebut.

Substance also has a non-tax dimension. In many jurisdictions (for example in the Gulf states) the requirement of genuine economic presence conditions the ability to open and maintain a bank account and to renew a licence. The absence of substance leads not only to tax consequences but also to operational paralysis: account closure, problems with a licence, reputational risk. Substance has ceased to be a formality and has become a condition of functioning.

5. CFC and the Family Foundation: Lex Lata Versus Lex Ferenda

The family foundation has sometimes been presented as an instrument beyond the reach of the CFC rules. Here one must distinguish the law in force from the direction of change. Legislative work has been signalled aimed at subjecting family foundations to certain CFC obligations, which would alter the calculation for persons treating the foundation as a vehicle for accumulating foreign income. Before basing a strategy on a family foundation one should check what the state of the law is at the moment of decision, because this is a moving area.

Part V. The Age of Digital Verification

> *“The government's view of the economy: if it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.”*
>
> Ronald Reagan

1. Actions Speak Louder Than Declarations

The best illustration of the principle that facts, not declarations, are what count is the story of Boris Becker. Officially his residence was Monaco; in Munich he was supposedly only an occasional visitor. The German authorities investigated for several years and found something seemingly trivial: Becker had kept the keys to the Munich apartment. The apartment belonged to his sister, the rent was paid by his parents, but he had the keys. This detail, small and human, proved to be evidence of a retained tie and contributed to his defeat.

The lesson is timeless: residence is decided not by what a person declares but by what he does. The keys to an apartment one supposedly does not use say more than the most beautiful certificate.

2. The Digital Trace That Cannot Be Erased

What was once a "minor oversight" is today archaeology. The contemporary taxpayer leaves a trace such as none before him left. Card transactions reveal where he really shops. Phone location and network log-ins show where he is actually present. Social-media posts date and locate his social life. Electronic toll gates, tickets, clinic visits, children's school enrolments, each on its own means nothing, but together they create a picture that cannot be retrospectively edited.

The conclusion for anyone planning relocation: one may have the best lawyers and the most carefully drafted documents and still lose everything if one retains even minimal but real ties with the high-tax country. The document is a declaration; the data are a fact.

3. The Information-Exchange Machine

States have built a coordinated infrastructure for the exchange of information that has made concealing foreign assets difficult. It comprises, among other things, the Common Reporting Standard (CRS), the American FATCA, successive iterations of the Directive on Administrative Cooperation (DAC), including obligations concerning digital platforms (DAC7) and, more recently, frameworks covering crypto-assets (DAC8 and the related CARF). Each of these instruments increases the transparency of cross-border flows and accounts. Authorities that once had to guess now receive data.

4. What the Cases of Well-Known Taxpayers Teach

The cases of wealthy sportspeople and celebrities (Becker, and in later years high-profile proceedings concerning other well-known names) are not gossip but case studies showing what verification really looks like. The same motif recurs in them: a divergence between the declared and the actual location of life. These cases are public, so they may be cited; with one's own clients the opposite principle applies, namely full anonymisation.

5. The Test of Truth

From this part flows the simplest and sternest test of the whole guide. If the answer to the question "where do you want to live, work, raise your children" is "in Dubai", then one must really move to Dubai. If the answer is "in Poland, but I would like to pay less tax", then this is not a change of residence but wishful thinking. And wishful thinking in tax matters ends badly, as all those who kept the keys to the apartment have learned.

Part VI. Destinations: A Guide Without Promises

> *"Common sense told us that when you put a big tax on something, the people will produce less of it."*
> RONALD REAGAN

The survey below is fuller than in a typical handbook, because the choice of destination is a decision in which the detail determines everything. All figures given are current as of 2026 according to available sources and are indicative; regimes are subject to amendment, so the parameters should be confirmed as at the date of decision. The common denominator remains unchanged: the benefit is real only with a genuine relocation, satisfaction of the local requirements of presence and substance and, where Poland is in play, the effective severance of Polish residence.

1. Four Systems of Taxation: A Conceptual Map

Before turning to particular states, one must understand four models, for it is they, and not the names of countries, that determine the real benefit.

The worldwide system taxes a resident on the whole of his income, regardless of source. So operate Poland, Germany, France, and the United States. This is the point of departure from which one flees.

The territorial system taxes only income from domestic sources, and foreign income remains free, even if it is brought into the country. This is a more generous model than the remittance regime. Examples: Panama, Paraguay, Hong Kong, Georgia (with the significant caveat described below).

The remittance system (non-dom, remittance basis) taxes foreign income only where it is physically brought (remitted) into the country; income kept abroad remains free. This is the Maltese, Cypriot, and Irish model. The British non-dom, the oldest of them, has been abolished, on which more shortly.

The lump-sum system (flat tax) allows a new resident to pay a fixed annual amount that settles the whole of his foreign income regardless of its magnitude. This is the Italian, Greek, and Swiss model.

2. The 2025 Watershed: The End of the British Non-Dom

The most important change of recent years is the abolition, as of 6 April 2025, of the British non-dom regime, which had existed in various forms for more than two centuries. It was replaced by the Foreign Income and Gains (FIG) regime: full relief on foreign income and gains for the first four years of residence only, for persons who were not UK residents in the preceding ten years, and after that period taxation of worldwide income on general principles, with a ten-year tail of exposure to inheritance tax. The effect was immediate: a wave of wealth migration, whose principal beneficiaries became Cyprus, Malta, Italy, Greece, the Emirates, and Ireland. For the Polish reader this is an important lesson: even the most stable regime can disappear, so a strategy must be built with a margin for changes in the law.

3. Zero-PIT Regimes

The United Arab Emirates remain the best-developed and most accessible zero-PIT destination: no tax on salaries, dividends, capital gains, rent, or inheritances. The 9% corporate income tax concerns company profits above AED 375,000, but not natural persons, and free-zone companies satisfying the substance requirement maintain 0%. Tax residence is conferred by 183 days of presence, 90 days with ties, or recognition of the UAE as the centre of life (Cabinet Decision No. 85 of 2022). A golden visa does not by itself create tax residence, and the treaty limitation described in Part II means that a person without UAE citizenship cannot invoke the treaty's tie-breaker rules. A double taxation treaty with Poland is in force. Polish-language page: residence in Dubai.

Monaco offers zero income tax (abolished in 1869) for residents who are not French nationals; the French, under a bilateral convention, pay French tax. Residence requires demonstrating substantial means (typically a deposit of the order of half a million euro)

and actual habitation, typically 183 days. Inheritance tax exists, but only on assets located in Monaco and does not apply to lineal descendants. Polish-language page: relocation to Monaco.

The other zero-PIT jurisdictions are the Gulf states (Qatar, Bahrain, Kuwait, Oman) and the Caribbean and Atlantic centres (the Bahamas, the Cayman Islands, Bermuda, the British Virgin Islands). They share the absence of income tax, but often a weak treaty network too and, in the Caribbean case, limited infrastructure. For a person with Polish ties the absence of a treaty with Poland is sometimes a real problem here.

4. Territorial Systems

Panama is one of the purest and oldest territorial systems: foreign income fully free, domestic income taxed progressively, no wealth or inheritance tax. Residence requires 183 days or the demonstration of a principal home and a centre of interests. Paraguay applies a 10% tax on local income, foreign income is free, and residence is obtained simply and cheaply. Hong Kong is the most unambiguous: foreign income free even after remittance, domestic income 2 to 17%. Singapore applies a modified model: foreign income exempt, provided it does not flow in through a Singaporean partnership.

Georgia requires a separate warning. Although it is sometimes marketed as a country applying the territorial principle of taxation, income earned physically in Georgia, including remote work for foreign clients, is as a rule treated as Georgian and taxed at 20%. Only passive foreign income (dividends, royalties) is genuinely exempt. The small-business regime (1%) concerns Georgian turnover. Mauritius and Thailand operate on a remittance basis (foreign income free until it is brought in), with the proviso that, since 2024, Thailand taxes foreign income remitted to the country regardless of the year in which it was earned, abolishing the former exemption for funds brought in a year other than the year of accrual (income earned before 1 January 2024 remains outside the charge).

5. Non-Dom and Lump-Sum Regimes in the Union and Its Neighbourhood

Cyprus is among the most attractive non-dom regimes in Europe. Non-dom status exempts dividends and interest from the Special Defence Contribution (SDC), which in practice zeroes the taxation of passive income, and gains on the disposal of securities are not subject to capital-gains tax. The status applies for 17 years. Residence is conferred by the 183-day rule or the 60-day rule (60 days of presence plus work or a business in Cyprus, plus a permanent home, plus the absence of 183 days in any other single state). The 2026 reform raised CIT from 12.5% to 15% and the tax-free amount to EUR 22,000, while preserving the non-dom framework. A treaty with Poland has been in force since 1993. Polish-language page: company and residence in Cyprus.

Malta offers a remittance regime without a deemed-domicile rule, which allows non-dom status to be maintained indefinitely. Only Maltese income and foreign income actually remitted to Malta are taxed; foreign capital gains are free even after remittance. Under the TRP and GRP programmes a 15% rate applies to remitted income and a minimum tax of EUR 15,000 per year (EUR 5,000 for ordinary non-dom residents). Property requirement: purchase from about EUR 275,000 or rental from about EUR 9,600 per year. A treaty with Poland is in force. Polish-language page: tax residence in Malta.

Ireland applies a remittance regime close to the former British one: foreign income kept outside the country remains outside the Irish tax net, while Irish and remitted income is taxed. There is no lump-sum equivalent.

Italy offers a lump sum: a fixed annual amount (raised in 2026 to EUR 300,000, previously EUR 200,000, and originally EUR 100,000) settles the whole of foreign income, for a maximum of 15 years, for persons who were not Italian residents for 9 of the last 10 years. A prior ruling from the Italian authority is mandatory. The EUR 300,000 figure applies to those opting in from 2026; earlier entrants remain on the amount in force in their year of entry. The regime pays off only at very high foreign income, of the order of a million euro a year. Greece applies an analogous model at a lower threshold: EUR 100,000 per year, for 15 years, with a requirement of investment of at least EUR 500,000 and the absence of Greek residence for 7 of the last 8 years.

Spain offers the Beckham regime: 24% on Spanish employment income up to EUR 600,000, with a general exemption of non-employment foreign income, for six years, for persons relocating for professional reasons. Portugal closed the popular NHR to new applicants as of 1 January 2024 and replaced it with the narrower IFICI regime (NHR 2.0): 20% on qualifying employment and self-employment income for 10 years, with an exemption of most foreign income, for persons who were not Portuguese residents in the previous five years and only in strictly defined scientific, technological, and innovative professions. Gibraltar (Category 2) caps tax at a defined ceiling of income and does not tax foreign income.

Switzerland offers lump-sum taxation according to expenditure (forfait fiscal, Pauschalbesteuerung) for persons who are not Swiss citizens and do not carry on gainful activity there; the base is the cost of living, and the amount is negotiated with the canton and confirmed by a ruling, which gives full predictability (the thresholds reach hundreds of thousands of francs per year). Andorra tempts with a maximum rate of 10%, but requires a real 183 days of presence (the popular "90-day myth" concerns only the residence permit, not tax residence) and has a narrow treaty network. Bulgaria offers the Union's lowest flat rate of 10%, full membership, and more than 70 treaties, which makes it a pragmatic choice for those who value access to the Union at a low rate.

6. The Guiding Principle

Despite the wealth of options, one rule remains: the destination is chosen to fit the life, not the life to fit the destination. A passive investor will most often be served by Cyprus or Malta, an active entrepreneur by the Emirates or Georgia (with the caveat about remote work), a person with very high foreign income by Italy or Greece, and a person who values access to the Union at a low rate by Bulgaria. In every case the marketing brochure for a given jurisdiction is not a legal analysis, and effectiveness will be decided by the same thing as in Parts I and II: a genuine transfer of life and the applicable treaty.

Part VII. Split-Year Residence

1. What Split-Year Residence Is

The Polish PIT Act does not expressly use the term "split-year residence". It is a doctrinal and practical construction arising from a systemic reading of the provisions on unlimited and limited tax liability in conjunction with the applicable international treaty. Its essence lies in dividing the tax year into two periods of differing taxation regime.

In the first period, from the start of the year to the day of loss of Polish residence, the person is subject to unlimited tax liability, that is, settles in Poland the whole of his income regardless of its source. In the second period, from the day of acquisition of foreign residence to the end of the year, he is subject to limited tax liability, that is, settles in Poland only income from sources located in the territory of Poland.

2. The Consequence for Income Already Earned

From this follows a rule clients often underrate. A change of residence operates prospectively, not retrospectively. Income earned during the period of Polish residence remains taxed in Poland, and a change of residence does not erase it. In particular, a gain on the disposal of financial instruments realised before the change of residence remains taxed in Poland. Anyone who believes that it suffices to "change residence" to avoid tax on a transaction already concluded is mistaken about the direction in which time runs.

3. The Moment of Rupture

The most difficult matter in practice is the moment of the "rupture" of residence. It does not occur automatically on the day the border is crossed, nor on the date entered in a return. The authorities examine when the transfer of the centre of vital interests actually took place, assessing the totality of the circumstances, such as a rental or purchase agreement abroad, vehicle registration, utility bills, children's school enrolment, the actual transfer of activity. Mere intention, or a formal departure, does not decide. A good illustration is the secondment case decided by judgment II FSK 2653/16: the taxpayer went abroad to work, his family joined him, the children went to the local school, and the apartment in Poland was let out. The court held that during the period of secondment the centre of vital interests was abroad, despite the retention in Poland of property, bank accounts, and social insurance, because it was the family and professional functioning abroad that prevailed. For this reason the proper documentation of the moment and the fact of transfer is crucial, and a mistaken computation of the periods risks a dispute over which income is taxed and where.

Part VIII. Alternatives to Relocation

Before anyone decides on relocation, it is worth considering solutions that are sometimes cheaper, simpler, and less risky, because they do not require tearing one's life up by the roots.

1. The Family Foundation

The Polish family foundation is a separate taxpayer enjoying a subjective exemption in respect of the activity defined in the Family Foundation Act, including, among other things, dealing in securities, participation in funds, or granting loans to related entities. Taxation appears only at the stage of paying out benefits to beneficiaries, and beneficiaries from the closest family circle do not pay additional PIT on the benefits received.

In practice this means that profits reinvested within the foundation generate no current burden, unlike the situation in which every realised transaction gives rise to immediate tax. For a person concerned above all with the effective accumulation and succession of wealth, the foundation is sometimes a more apt solution than moving house. The caveat from Part IV remains current: the direction of legislative change concerning CFC in relation to family foundations must be checked as at the date of decision.

2. Holding Structures

The Polish holding regime provides exemptions intended to encourage the location of parent companies in Poland (the holding exemption, Article 24o of the CIT Act, and related preferences). Where the conditions are met, this allows effective management of capital gains and dividends without relocating the natural person. It is a tool for those who wish to put their ownership structure in order, but not necessarily to change their place of residence.

3. When Staying in Poland Is Simply Cheaper

The hardest and most honest advice is sometimes: do not change residence. After summing the cost of the exit tax, the risk of challenge, the cost of maintaining substance abroad, the cost of living in an expensive jurisdiction, and the value of family and professional ties lost, the balance of relocation is sometimes negative. An adviser who does not calculate this serves the client badly. The decision to change residence should follow from an analysis in which the cost of relocation is set against the cost of refraining from it, and not from the attractiveness of the idea itself.

Part IX. A Comparative Perspective: How Other Systems Understand Residence

The Polish criterion of the centre of vital interests is no homegrown invention. It is a variant of the standard developed in the continental legal tradition and entrenched in the OECD Model Convention. It is worth knowing, however, that other systems operate with concepts that can surprise on a change of residence.

The continental tradition, to which Poland belongs, uses the criterion of place of residence and of the centre of vital interests, that is, a combination of personal and economic ties. This is a substantive approach, assessing the totality of the facts.

The common-law tradition adds the concept of domicile, that is, a permanent bond with a particular country, distinguished from ordinary residence. The domicile of origin accompanies a person from birth and is hard to change, since it requires not only departure but also a genuine, settled intention to settle elsewhere and a severance of ties with the previous country. Some common-law systems combine this with a formal residence test based on the day count and on a network of so-called connecting factors, such as having a home, work, or family. For a Pole moving to such a jurisdiction this means that he may obtain residence there and yet not acquire the favourable status that depends on the absence of domicile.

The American model is an exception of fundamental importance. The United States taxes its citizens and green-card holders on the basis of the bond of citizenship, irrespective of place of residence (citizenship-based taxation). For residents a physical-presence test additionally applies. What matters for those planning is that merely leaving the US does not end the tax obligation, and renouncing citizenship or the status may trigger its own expatriation tax. This is the inverse of the Polish logic and a classic trap for persons with dual ties to the US.

The Swiss model offers lump-sum taxation according to expenditure for persons not carrying on gainful activity in the country, an attractive solution but one hedged about with thresholds and negotiated cantonally. The model of the Gulf states tempts with the absence of income tax but, as indicated earlier, the treaty benefit is sometimes conditioned on citizenship, and economic substance is an operational condition.

The comparative conclusion is as follows. The more the definitions of residence differ between the state of departure and the destination state, the greater the risk of a conflict of residence and of double taxation, and the more important it becomes to read the particular treaty and the particular domestic law rather than to rely on an intuition shaped by a single system. The mobility of capital is easy today; the mobility of tax status remains difficult, because each system defends its base in its own language.

Part X. Crypto-Assets and a Change of Residence

Holders of crypto-assets form a separate segment in which the most myths have accumulated. Three of them are worth dismantling.

The first myth: crypto is beyond the reach of the tax authority. Less and less so. The international frameworks for the exchange of information now cover crypto-asset service providers (the CARF and the corresponding extension of the Directive on Administrative Cooperation). The transparency that for years applied to bank accounts now extends to trading in cryptocurrencies. The assumption of anonymity is increasingly archaic.

The second myth: a change of residence erases arrears. It does not. Tax obligations for the period of Polish residence remain, irrespective of a later departure. If, during the period of Polish residence, taxable events occurred (as a rule the moment income arises is the exchange of a cryptocurrency for traditional currency, goods, a service, or a property right, as well as the discharge of an obligation with it), the obligation to settle endures. A sale documented in exchange data will not disappear because the taxpayer moved house. The institution of voluntary disclosure (czynny żal) allows arrears to be put in order, but it operates only so long as the authority has not itself detected the irregularity, so its value diminishes with each month of delay.

The third myth: a second passport solves the problem of crypto tax. The public cautionary example here is the case of a well-known investor holding an enormous portfolio of bitcoins who sought to free himself from tax obligations by changing citizenship and residence. The lesson is the same as with Becker's keys: a document does not nullify facts, and in systems based on an expatriation tax the very renunciation of status can trigger a levy rather than avoid it.

For anyone planning relocation with a significant crypto-asset portfolio, three practical conclusions follow. First, the settlements for the period of Polish residence must be closed before anything changes. Second, one must examine whether the crypto-assets held fall within the scope of the exit tax, which requires an analysis of their classification and value against the asset threshold. Third, one must keep full documentation of the history of transactions, fees, deposits and withdrawals, and exchange rates as at the date of each transaction, because it is this, and not declarations, that will decide any dispute.

Part XI. Succession and Inheritance Consequences

A change of residence is not only a matter of income tax. It also bears on succession, and this dimension is often overlooked until it is too late to change it.

First, tax residence for income-tax purposes is something other than the rules determining the law applicable to inheritance. In the Union the law applicable to succession is established as a rule by the criterion of the deceased's habitual residence at the time of death, with the possibility of choosing the law of nationality. Relocation may therefore unwittingly change the law under which assets will be inherited, which can be surprising for persons accustomed to the Polish rules of the reserved share (zachowek) and the order of inheritance.

Second, inheritance and gift tax is governed by its own logic, independent of residence for income-tax purposes. A change of income-tax residence does not automatically determine the taxation of an inheritance or gift, which may be subject to separate rules connected with the location of assets, the citizenship, or the place of residence of the parties. This is a further area in which intuition fails.

Third, relocation and succession should be planned together, not in sequence. A person who first changes residence and only then begins to think about transferring wealth risks doing so in a suboptimal, and sometimes unforeseen, legal regime. Here again the family foundation appears as an instrument that combines the management of wealth with succession planning and can ensure continuity regardless of changes in the place of residence of individual beneficiaries. The decision to relocate should therefore include a chapter on what will happen to the wealth later, and not only on how much tax will be paid now.

Part XII. Illustrative Scenarios

The situations below are abstract and refer to no particular person. They serve to show the mechanisms in action.

The first scenario: a remote-working specialist. A programmer moves to a tax-attractive jurisdiction, rents an apartment there, and obtains a residence card, but his partner and children remain in Poland, the children attend a Polish school, and he regularly returns at weekends. Despite the departure, his centre of personal interests remains in Poland, so with a high degree of probability he remains a Polish resident, regardless of the day count and the card held. The lesson: splitting family and professional life is the most difficult configuration in tax terms.

The second scenario: an owner of a company with assets above the threshold. An entrepreneur considers moving to a Gulf state, holding shares with a market value exceeding the threshold relevant for the exit tax. Here three issues converge: the exit tax on unrealised gains on the shares (with the possibility of deferral), the requirement of economic substance in order to avoid CFC qualification and to maintain banking services, and the treaty trap consisting in the conditioning of the benefit on citizenship rather than on residence alone. The lesson: an attractive nominal rate says nothing until the cost of exit has been calculated and the content of the treaty checked.

The third scenario: an investor in a state without a treaty. A person places capital in a state with which Poland has concluded no double taxation treaty, planning to return after a few years. So long as he stays abroad and has no ties with Poland, the problem is dormant. After his return and renewed acquisition of Polish residence, the income from that state falls into unlimited tax liability, with no treaty mechanism to eliminate double taxation. The lesson: in planning the exit, one must also plan the return.

The fourth scenario: a crypto-asset holder counting on a second passport. An investor with a large portfolio has not settled the transactions of his years of Polish residence and assumes that a change of citizenship will close the matter. The arrears for the period of Polish residence remain, and the growing transparency of cryptocurrency trading increases the risk of their disclosure. The lesson: first one puts the past in order, then one plans the future.

Part XIII. Frequently Asked Questions and Typical Answers

The questions below recur in practice in almost every change-of-residence matter. The answers reflect the standard position we take, although every concrete case requires individual analysis.

Is a visa or residence card in the new state enough for me to cease being a Polish resident? No. That is a residence document, not a tax one. Residence is decided by facts: the centre of vital interests and the day count, not the contents of a wallet of documents. A visa is often a necessary condition, but never a sufficient one.

I spend fewer than 183 days in Poland, so surely I am no longer a resident? Not necessarily. The day criterion and the centre of vital interests are disjunctive. If family, home, and a source of income have remained in Poland, one remains a Polish resident despite not crossing the day threshold. The day rule is sufficient, but not necessary.

Is it enough for me to apply for an individual ruling and have peace of mind? That depends on the threshold question: whether Poland has jurisdiction over you at all. If the centre of vital interests has genuinely moved abroad and Poland is no longer the state of residence, applying to the Polish authority is sometimes pointless. If, on the other hand, ties with Poland have remained, no ruling will substitute for the facts. A ruling is used where there is something to rule on.

Which treaty protects me? The one concluded between the two states that simultaneously lay claim to you as a resident, and not necessarily the treaty with Poland. A Polish citizen who obtained Cypriot residence and then settled in the Emirates is subject primarily to the Cyprus-UAE treaty and Cypriot law; the Poland-UAE treaty enters only where Poland has a basis for treating him as its resident. The choice and analysis of the applicable treaty are the point of departure, not a detail.

I am moving alone, but my family stays in Poland for a year or two. Is that a problem? It is the most frequent cause of failure. Wherever a spouse and minor children live, that is usually where the centre of personal interests lies, and in practice it is the personal centre that most often decides the centre of vital interests. Leaving even one centre in Poland suffices to maintain Polish residence, which is why separating the family from the relocation is the configuration in which residence most often stays on the Vistula.

I am leaving, but my business stays in Poland. Is that safe? These are two separate risks. The first: the centre of economic interests may remain tethered to Poland, which sustains the natural person's Polish residence. The second: managing a foreign company from the territory of Poland may move its place of management, and thus its corporate residence, to Poland, irrespective of the place of registration.

Running a business from a desk in the new country is not enough if the decisions are in fact taken in Poland.

I will set up a company in a free zone with zero CIT. What can go wrong? If you remain a Polish resident even during a transitional period, the controlled-foreign-company rules will strike, and with a haven jurisdiction the qualification is sometimes automatic. Added to this is the substance requirement, without which there is a risk not only of a tax effect but of operational paralysis (account closure, problems with a licence).

Will I pay the exit tax? Only if the market value of the covered assets (typically shares, stock, securities) exceeds PLN 4 million and you were a Polish resident for at least five of the last ten years. The first step is therefore valuation. A company's operating losses do not mean there is no exit tax, because what counts is the market value of the shares, not profitability.

I do not have Emirati citizenship. Is that an obstacle? Yes, and more fundamentally than is often assumed. Under the Poland-UAE treaty as amended by the 2013 protocol, only a person who is domiciled in the Emirates and is also a UAE national is treated as a treaty resident of the UAE. A non-Emirati therefore cannot invoke the treaty's tie-breaker rules at all, and protection depends entirely on effectively severing the grounds of Polish residence under domestic law. This is a frequent reason for considering residence in a third state with a stable treaty based on the OECD model.

I have arrears for the years when I was a Polish resident, including from cryptocurrencies. Will leaving close them? No. Obligations for the period of Polish residence endure irrespective of a later departure. They can be put in order through voluntary disclosure (czynny żal), but only so long as the authority has not itself detected the irregularity, so delay works to one's disadvantage.

Conclusion

> *"The income tax created more criminals than any other single act of government."*
>
> Barry Goldwater

Let us return to the thought with which we began. Tax residence is a choice, but a choice that binds. It is not a paper exercise, nor a trick that can be laid over an unchanged life. It is a decision about where a person wishes to live, work, raise children, and build a future.

All the instruments described in this book, the residence criteria, the tie-breaker rules, the exit tax, CFC, the information-exchange machine, converge on a single point. They check whether the declaration coincides with the facts. Where it coincides, the change of residence is effective and safe. Where it diverges, sooner or later an authority will appear, with a full set of data and a question about the keys to the apartment.

The best advice that can be given to a person considering fiscal relocation is therefore, paradoxically, the least technical. First decide where you want to live. The rest is execution.

This text is of an informational and educational character and does not constitute legal or tax advice. Every situation requires individual analysis of the facts and of the current state of the law.

About the Author

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