Family foundations: Ministry of Finance proposes an increase in the tax rate from 15% to 19%

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A new proposal concerning the taxation of family foundations has been included in the Council of Ministers' legislative work programme. In addition to changes already known from earlier drafts, the most significant proposal is an increase in the tax rate applicable to distributions made by family foundations to their beneficiaries from 15% to 19%.

Key changes

The proposal includes:

- increasing the tax rate applicable to distributions made to beneficiaries of family foundations from 15% to 19%;
- restricting the tax exemption for the sale of certain assets to assets held for a minimum period of 36 months;
- eliminating the possibility of conducting activities through tax-transparent entities;
- bringing family foundations within the scope of the controlled foreign corporation (CFC) rules; and
- clarifying the tax treatment of income derived from short-term rental of real estate.

The proposal also contains a favourable change for certain beneficiaries. The personal income tax exemption would be extended to descendants of the founders' siblings. In practice, this would align their tax treatment with that currently available in family foundations established by the parents of those siblings.

More than a repeat of earlier proposals

While some of the proposed measures continue the direction previously signalled by the Ministry of Finance, the increase in the tax rate from 15% to 19% would result in a genuine increase in the tax burden on distributions made by family foundations.

The proposed change would affect all family foundations, as it relates to the taxation of benefits received by beneficiaries. As a result, the attractiveness of family foundations as succession and investment structures may be further reduced.

It remains unclear whether the new rules would also apply to assets contributed to family foundations before the new provisions come into force, or from what date the increased tax rate would apply.

What happens next?

At this stage, only the key assumptions of the proposal have been published. The Council of Ministers is expected to consider the draft legislation in the third quarter of 2026. The final scope of the proposed changes may therefore still change during the legislative process.

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It is also uncertain whether the proposed amendments will ultimately be enacted. A previous bill containing some of these measures was vetoed by the President.

MDDP experts are monitoring the progress of the proposal and will provide updates on the subsequent stages of the legislative process and their potential impact on founders, beneficiaries and family foundations themselves.

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MDDP has assisted in establishing numerous family foundations and continues to provide them with ongoing support. Our experts will be pleased to share their experience with you.

More information is available on our website: https://www.mddp.pl/family-foundation/.

Link to the proposal

Council of Ministers' legislative work programme: draft Act amending the PIT Act and the CIT Act.

If you have any questions or concerns, please contact:

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