

Fundamentals Level – Skills Module

# Taxation (Poland)

Tuesday 3 June 2014



**Time allowed**

Reading and planning: 15 minutes

Writing: 3 hours

ALL FIVE questions are compulsory and MUST be attempted.  
Tax rates and allowances are on pages 2–3.

**Do NOT open this paper until instructed by the supervisor.**

**During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.**

**This question paper must not be removed from the examination hall.**

**The Association of Chartered Certified Accountants**

Paper F6 (POL)

**ACCA**

## SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings need only be made to the nearest PLN.
2. All apportionments should be made to the nearest month.
3. All workings should be shown.

## TAX RATES AND ALLOWANCES

The following tax rates and allowances and ZUS rates for 2013 are to be used in answering the questions.

### Personal income tax (PIT)

	Tax amounts to
Up to PLN 85,528	18% of the base minus PLN 556·02
PLN 85,528 and above	PLN 14,839·02 plus 32% on the excess over PLN 85,528

### Flat rate cost

Monthly deduction	Annual deduction	Employer no >1	Commuting
111·25	1,335	x	x
(150%)	2,002	v	x
139·06	1,668	x	v
(150%)	2,502	v	v

### Various PIT limits

	PLN
Rehabilitation relief – maximum earnings	9,120
Rehabilitation relief medicines – monthly limit	100
Rehabilitation relief – motor car travel	2,280
Rehabilitation relief – guide dog for the blind	2,280
Competition prizes	760
Child deduction	1,112
Daily meal allowance ( <i>dieta</i> )	30
Motor car allowance (per km)	1
Donation rate	6%

### Flat rate tax (*ryczałt*)

Revenue limit	€150,000
Free professions	20·0%
Services and rent	8·5%
Production	5·5%
Trade	3·0%

### Health service contribution (HSC)

The rate of health service contribution is 9% of the base, and 7·75% of this is deductible for personal income tax purposes.

### Corporation tax (CIT)

Corporate income tax rate 2012	19%
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### Dividend withholding tax

Basic dividend withholding tax rate	19%
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**Tax depreciation rates**

Buildings – Residential	1·5%
– Other	2·5%
General machinery	14·0%
Transport means	20·0%
Computer equipment	30·0%
Office and other equipment, furniture	20·0%
Licence/software	50·0%
Own R&D products	100·0%
Other intangibles	20·0%
Residential property deemed value of PLN 988	

**Social security contributions (ZUS)**

	Employer	Employee
Insurance ( <i>Ubezpieczenie</i> )		
Retirement pension	9·76%	9·76%
Disability pension	6·50%	1·50%
Sickness benefit	–	2·45%
Accident benefit	1·93%	–
Work fund ( <i>Fundusz pracy</i> )	2·45%	–
Guaranteed workers' benefit ( <i>Fundusz gwarantowanych świadczeń pracowniczych</i> )	0·10%	–
	<hr/> 20·74%	<hr/> 13·71%

Upper earnings limit PLN 111,390

**Average and minimum monthly salary**

	PLN
Minimum salary	1,600
Average salary	3,500

**Value added tax (VAT)**

Normal rate	23%
Registration limit	PLN 150,000

**ALL FIVE questions are compulsory and MUST be attempted**

- 1 Zgrzytające Wrzeciono SA (ZW) has been in business for several years producing, selling and providing maintenance services for mining machinery. ZW always makes the required payments on account of corporate income tax (CIT) on the due dates, using the simplified method.

ZW's recent income/(losses) for CIT purposes have been:

	PLN
Year ended 31 December 2010	710,000
Year ended 31 December 2011	625,000
Year ended 31 December 2012	(40,000)

ZW's accounts for the year ended 31 December 2013 show the following results:

	Note	PLN	PLN
<b>Revenues</b>			
Sales of goods	(1)		3,470,000
Sales of services	(2)		2,300,000
Financial income	(3)		220,000
Other income	(4)		45,000
Revenue total			<u>6,035,000</u>
<b>Costs</b>			
Cost of sales	(5)	3,150,000	
Salaries and related social security contributions	(6)	2,200,000	
Bad debts	(7)	80,000	
Depreciation	(8)	745,000	
Other expenses	(9)	800,000	
Costs total		<u>6,975,000</u>	
Gross income/loss			<u>(940,000)</u>

**Notes:**

- (1) In February 2013, one of ZW's customers returned a malfunctioning item of equipment which had been sold in 2012. The invoice, which was for PLN 528,900 (including value added tax (VAT)), was corrected down to zero. The full amount of this correction is reflected in the 2013 sales of goods figure.
- (2) The maintenance services rendered by ZW are paid for in monthly periods. In relation to one of such services, worth PLN 180,000 per month, the accountants recognised only 50% of the revenue for December 2013 as some additional works needed to be performed in 2014.
- (3) Financial income comprises:
  - (i) PLN 120,000 of income on a SWAP contract hedging ZW's foreign sales revenues. This income was recognised in the year-end valuation of the SWAP as the underlying transaction has not yet been finalised.
  - (ii) PLN 100,000 being the gross interest due on a loan granted in March 2013 to a foreign customer of ZW located in Country X. PLN 70,000 of this interest had not been paid by the customer as at 31 December 2013. Tax at the rate of 10% was withheld from the interest actually paid by the customer in accordance with Country X's tax law.
- (4) Other income relates to a PLN 45,000 grant (donation) given to ZW for the development of its business by Chrzęszcząca Przegrzewarka SA. Chrzęszcząca Przegrzewarka SA is the holding company which indirectly owns all the shares of ZW.
- (5) ZW measures its production costs using the statistical cost of materials and overheads used per product. However, a reconciliation showed that out of this PLN 3,150,000 of costs, only PLN 2,715,000 can be traced to underlying invoices for the purchase of materials and payment for utilities.
- (6) Based on the company's salary regulations, ZW should pay salaries by the tenth day of the following month. However, due to liquidity problems, the payments of the salaries for November and December 2013 were not

made until 20 December 2013 and 20 January 2014 respectively. The employer's part of social security contributions relating to both of these two months' salaries were remitted on 10 January 2014. The cost of salaries is equal in every month (i.e. there are no monthly fluctuations).

(7) Bad debts comprise:

- (i) A loss of PLN 30,000 on the sale of a trade receivable on which VAT bad debt relief had already been claimed.
- (ii) A loss of PLN 50,000 on the sale of a loan receivable.

(8) Depreciation includes:

- (i) Depreciation for a full 12 months on a machine (general machinery) purchased for PLN 3,000,000 and put into use and registered on 1 January 2013.
- (ii) The 100% write off of two small items of general machinery purchased on 12 July 2013, for PLN 3,000 and PLN 4,200 respectively.

ZW calculates depreciation according to the rates specified for tax purposes using the straight-line method.

(9) Other expenses include:

- (i) PLN 75,000 in respect of office equipment acquired under a finance lease made up as follows:

	PLN
Initial payment made on 20 June 2013	40,000
Instalments paid on: 1 September 2013	15,000
1 December 2013	15,000
Accrual of one-third of the instalment due on 1 March 2014	5,000
	<hr/> 75,000 <hr/>

The terms of the lease specify that there will be a total of eight quarterly instalment payments and that the finance charges will be: 40% of the first two instalments, 30% of the next four instalments and 20% of the final two instalments. The initial payment did not have a finance element. The equipment, which would have had a cash purchase price of PLN 124,000, was delivered, put into use and registered on 20 June 2013.

- (ii) An environmental penalty for dumping waste material of PLN 600,000.
- (iii) A contractual penalty of PLN 80,000 paid by ZW to terminate a specific contract which, due to materials cost increases, would otherwise have resulted in a huge loss for the company.
- (iv) Donations of PLN3,000 to the local parish church and of PLN10,000 to an international charity (an institution of public benefit) based in Switzerland.

All amounts are net of VAT unless stated otherwise.

ZW pays the monthly instalments for CIT according to the simplified method.

**Required:**

- (a) Calculate the corporate income tax (CIT) payable by or refundable to Zgrzytające Wrzeciono SA (ZW) for 2013 assuming that ZW utilises any available losses and reliefs as soon as possible to the maximum amount.

Note: You should list all of the items referred to in notes (1) to (9), indicating by the use of '0' any which do not affect the CIT calculation. (24 marks)

- (b) Explain when and in what periods CIT related to a taxpayer's own income should be paid/reconciled and returns filed. (4 marks)

- (c) Identify ANY FOUR situations when a CIT payer company may also become the remitter of CIT. (2 marks)

**(30 marks)**

- 2 (a) Olgierd Blech was employed as a full-time engineer with Kmiotex Sp. z o.o. (Kmiotex) throughout 2013.

Olgierd's base salary is PLN 12,000 per month. Kmiotex also provides him with a private health care package worth PLN 150 per month, as well as a gym membership worth PLN 450 per month.

In the six-month period ended 30 June 2013, the following additional events took place:

- (1) Olgierd took part in a training course on advanced engineering materials. The training cost was PLN 12,800, half of which was paid for by Olgierd and half by Kmiotex.
- (2) Olgierd went on a 14-day long business trip to Poznań. He received an allowance of PLN 2,000 from Kmiotex for this trip.
- (3) During the trip, Olgierd spent 14 nights in a hotel paying PLN 400 per night. He provided Kmiotex with the invoice and was reimbursed for these costs.
- (4) Olgierd's company notebook computer was replaced by Kmiotex. He was allowed to keep the old computer for himself. The cost of the old computer when it was purchased by Kmiotex was PLN 4,800. The value of the computer at the time it was replaced was assessed at PLN 300.

**Required:**

- (i) **For each of the items above (other than salary) received from Kmiotex Sp. z o.o. by Olgierd Blech in 2013, state the amounts which are taxable benefits and the amounts which are not taxable benefits. Show your calculations.** (4 marks)
  - (ii) **Calculate the advance instalments for tax which will be remitted by Kmiotex Sp. z o.o. in respect of Olgierd Blech throughout 2013.** (12 marks)
- (b) Olgierd Blech owns a mansion near his home town. The mansion's gardens are maintained by a gardener who performs his duties under an assignment agreement (*umowa zlecenia*) for PLN 500 per month. The gardener has told Olgierd that he is neither employed nor runs a business activity.

**Required:**

- (i) **State the duties which Olgierd Blech, as the party ordering the service, has from a tax and social security perspective in respect of the gardener.** (1 mark)
- (ii) **Calculate the amounts to be remitted by Olgierd Blech to the relevant authorities in respect of the gardener for 2013.** (6 marks)
- (iii) **State the deadlines for remitting social security contributions:**
  - as a remitter for a person employed; and
  - as a remitter in respect of own business activity. (2 marks)

**(25 marks)**

- 3** Roman runs a retail business buying wholesale kitchen appliances and then selling these to individuals online.

In May 2013, his gross sales (including any applicable value added tax (VAT)) were:

PLN 340,000 to Polish individual customers.

PLN 45,000 to individual customers elsewhere in the EU.

PLN 115,000 to individual customers in Asia.

In May 2013, he made the following gross purchases (including any applicable VAT):

PLN 320,000 of goods purchased in Poland.

PLN 100,000 of goods imported from Pakistan (the relevant procedures allowing Roman to reconcile import VAT in a VAT-7 return were met).

PLN 7,000 in total for two computers, which will be depreciated for personal income tax (PIT) purposes over a period of three years.

Roman runs his online business from his girlfriend's apartment. Every month he reimburses her with PLN 600 for her high electricity bills due to the various computers which he uses day and night as servers.

During the month of May 2013, Roman sold his old car for PLN 4,000. The car had been bought in 2010 in a private sale for PLN 18,000. Roman has depreciated the car for the purpose of his business activity.

**Required:**

- (a) Calculate the total amounts of output value added tax (VAT) and input VAT related to Roman's operations in May 2013.**

Note: You should list all of the items referred to in the question, indicating by the use of '0' any items which do not give rise to any output VAT or input VAT. (8 marks)

- (b) Define the term 'VAT taxpayer'.** (2 marks)

- (c) Explain whether an individual who from time to time sells some old items and/or new but unwanted items, either face to face or online, is liable to register for VAT and to charge VAT on such sales.** (2 marks)

- (d) State the methods by which an individual VAT taxpayer may file a VAT-7 return in order to be certain that the date of filing is formally confirmed.** (3 marks)

**(15 marks)**

- 4** Marcin Obrotny commenced a business activity selling computer games from a leased space in a shopping mall in January 2010. In April 2013, he was offered a very good employment opportunity abroad and decided to close down his business. He made his last normal sale on 31 May 2013, following which he closed the shop and deregistered his business activity.

In June 2013, prior to leaving Poland, Marcin disposed of his business and personal assets as follows:

- (1) Disposed of unsold stock with a purchase cost of PLN 216,000 to a wholesaler at a 20% mark-up and retained the remaining unsold stock, with a purchase cost of PLN 4,000, himself for his own use as a computer gamer.
- (2) Sold half of the shop furniture for PLN 7,000 and gave the other half of the shop furniture for free to his friend who has just started a similar business activity. The shop furniture had been bought in January 2010 for PLN 10,000 from a private individual at a flea market. Depreciation write-offs on the furniture for the two years ended 31 December 2012 amounted to PLN 2,000.
- (3) Kept for himself the computer which he had bought for use in his business in January 2013 for PLN 3,000.
- (4) Sold his residential apartment for PLN 450,000. Marcin had purchased the apartment in 2001 for PLN 230,000. Throughout the duration of his business activity, Marcin had accounted for the depreciation costs of a room in this apartment, as he ran his accounting from there. The room is approximately 25% of the apartment floor area.
- (5) Sold his car for PLN 17,000. Marcin had bought the car for a bargain price of PLN 8,000 in March 2011. Marcin had never used the car for his business activity nor accounted for it in either his personal income tax (PIT) or value added tax (VAT) accounts.

All amounts are net of VAT unless stated otherwise.

**Additional information:**

- Marcin accounts for depreciation write-offs only at the end of the year.
- Marcin always claims any available input VAT deduction.

**Required:**

- (a) In respect of the transactions undertaken by Marcin Obrotny in June 2013 prior to his leaving Poland:**
- (i) Explain how each of the items will be treated for the purposes of personal income tax (PIT). Support your explanations with calculations of the taxable income arising (if any) and state whether or not the income will be classed as from 'own business activity'.** (7 marks)
  - (ii) Calculate the output value added tax (VAT) arising; where no output VAT is applicable state why.** (5 marks)
- (b) Calculate Marcin Obrotny's social security and health service contributions for 2013, assuming that after Marcin deregistered his business activity in June 2013 he did not conduct any new activity in Poland.** (3 marks)

**(15 marks)**



- 5 (a) Zamieć Sp. z o.o. (Zamieć) is a software company operating in Poland. The management of Zamieć often strike bargains for discounts or free of charge gifts in order to close deals.

In 2013 the following transactions took place:

- (1) IT administrators employed by Zamieć maintain the network of Sztuki Elektroniczne Sp. z o.o. (SE). Since Zamieć and SE have a common 100% shareholder, no charges were made for this service as according to the management of Zamieć 'it all ends up in the same pocket'.
- (2) Zamieć's software developers sold a game engine to SE at a price 50% lower than the market standard. Based on this engine, SE will develop a low cost game to be marketed to the casual player market where prices are significantly lower. Zamieć will receive a significant portion of the distribution profit from these sales if the game is successful.
- (3) Zamieć provided free of charge IT services to an unrelated company as a result of a deal made with this entity whereby Zamieć would provide the free services for a year, following which the customer would purchase a package of IT solutions from Zamieć.
- (4) Under a similar deal to that in (3) above, Zamieć received free of charge services from a subcontractor in 2013 on the basis that the subcontractor will then be given a contract with Zamieć for 2014.
- (5) Zamieć allows an unrelated catering company to use the canteen and kitchen area in its office building free of charge.

**Required:**

**For each of the above transactions, discuss the corporate income tax (CIT) implications arising for Zamieć Sp. z o.o.** (11 marks)

- (b) The accountants of Zamieć do not fully agree about the tax treatment of the above transactions.

The first accountant claims that the correctness of the tax treatment has been confirmed by the Tax Officer working for the tax office servicing Zamieć. Also that the Tax Officer has confirmed this in an email sent from the Tax Office's email address.

The second accountant states that since Zamieć has some well-prepared transfer pricing documentation (as per art. 9a of the CIT Act), they do not need to worry at least about the related party transactions.

**Required:**

- (i) **State whether the confirmation from the Tax Office (as referred to by the first accountant) will be sufficient in the case of a tax inspection, together with any precautions which Zamieć Sp. z o.o. can take to secure the tax treatment chosen.** (2 marks)
- (ii) **Explain whether the opinion of the second accountant regarding the security offered by Zamieć Sp. z o.o.'s transfer pricing documentation is correct.** (2 marks)

**(15 marks)**

**End of Question Paper**