

Fundamentals Level – Skills Module

Taxation (Poland)

Tuesday 2 June 2015



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

This paper is divided into two sections:

Section A – ALL 15 questions are compulsory and MUST be attempted

Section B – ALL SIX 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.

Do NOT record any of your answers on the exam paper.

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 in Section B.

TAX RATES AND ALLOWANCES – JUNE AND DECEMBER 2015

The following tax rates and allowances and ZUS rates for 2014 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 (*ryczalt*)

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 2014	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	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%	–
Polish guaranteed workers' benefit (<i>Fundusz gwarantowanych świadczeń pracowniczych</i>)	0.10%	–
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	20.74%	13.71%

Upper earnings limit PLN 112,380

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

Section A – ALL 15 questions are compulsory and MUST be attempted

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet. Each question is worth 2 marks.

1 The Polish tax system includes both direct taxes and indirect taxes.

In which of the following situations is the tax paid an INDIRECT tax?

- (1) Personal income tax on employment income remitted to the tax office by an employer on behalf of an employee
- (2) Corporate income tax on own business income paid to the tax office by a company
- (3) Value added tax on own sales paid to the tax office by a company
- (4) Withholding tax deducted from interest paid to a foreign creditor and remitted to the tax office by the payer

- A 1, 3 and 4
- B 2
- C 3 and 4 only
- D 3 only

2 Marta started her first ever registered business activity on 1 March 2014.

What is the total amount of Marta's social security contributions payable during 2014, assuming she pays the work fund and sickness insurance?

- A PLN 6,502
- B PLN 1,484
- C PLN 6,492
- D PLN 2,967

3 **Where a company buys non-current assets related to its VATable sales, when is the refund of input VAT (depending on circumstances) due?**

- A 25 or 60 days only
- B 25, 60 or 180 days
- C 60 or 180 days only
- D 60 days only

4 In October 2014, Julia sold an apartment for PLN 200,000. She had bought the apartment for PLN 150,000 in June 2009.

What is the amount of personal income tax payable by Julia in relation to the sale of the apartment?

- A PLN 20,000
- B PLN 38,000
- C PLN 9,500
- D Nil

5 Company A sold a product in October 2014 but, in error, did not account for any tax on the sale.

On which date(s) will the value added tax (VAT) and corporate income tax (CIT) liabilities related to this sale expire?

- A 1 November 2019 for both VAT and CIT
- B 1 January 2020 for both VAT and CIT
- C 1 January 2020 for VAT and 1 January 2021 for CIT
- D 1 November 2019 for VAT and 1 January 2021 for CIT

6 Leon has been running a registered business activity, providing computer maintenance services, for several years. He accounts for his personal income tax according to the flat rate revenue taxation method. During 2014, Leon had net sales of PLN 230,000, costs excluding social security deductions of PLN 120,000 and social security deductions of PLN 8,656.

What is the amount of personal income tax payable by Leon for 2014?

- A PLN 8,614
- B PLN 19,255
- C PLN 18,814
- D PLN 19,550

7 Gąsienica Sp. z o.o. (GSS) has always used a tax year beginning on 1 October and ending on 30 September of the following year. In September 2014, GSS decided to change both its tax year and financial year to begin on 1 July and end on 30 June of the following year.

What will be the start and end dates of all of the tax years in the transition period?

- A 1 October 2014 to 31 December 2014; 1 January 2015 to 30 June 2015; 1 July 2015 to 30 June 2016
- B 1 October 2014 to 30 June 2015; 1 July 2015 to 30 June 2016
- C 1 October 2014 to 30 June 2016; 1 July 2016 to 30 June 2017
- D 1 October 2014 to 31 December 2015; 1 January 2016 to 30 June 2016; 1 July 2016 to 30 June 2017

8 Karina is a single mother bringing up her eight-year-old daughter. During 2014, Karina earned taxable income of PLN 130,000 after social security deductions from her employment. Karina has no other sources of income and opts for joint taxation with her daughter.

Ignoring health service contributions (HSC), what will be Karina's personal income tax liability for 2014?

- A PLN 24,700
- B PLN 22,288
- C PLN 23,400
- D PLN 29,070

9 Straszny Dwór Sp. z o.o. (SDS) runs a hotel. The hotel building, which was completed in December 2013, has an initial value of PLN 1.5 million and is used in worse than normal conditions. SDS always claims the highest depreciation write-offs allowed.

What is the depreciation charge claimable on the hotel building by Straszny Dwór Sp. z o.o. for 2014?

- A PLN 45,000
- B PLN 75,000
- C PLN 37,500
- D PLN 22,500

- 10 A Polish company sells goods to a company resident and performing its business activity in the Czech Republic. The goods were delivered directly from the company's warehouse in Poland to the Czech Republic. The Czech rate of value added tax is 20%.

What rate of value added tax should the Polish company charge on the invoice issued to the Czech company?

- A 0%
- B 23%
- C 20%
- D 20% or 23% depending on the volume of sales made by the Polish company to Czech customers

- 11 A Polish company made the following types of payment to its 12% shareholder in the Netherlands (the shares had been held for more than two years):

- (1) Royalties
- (2) Interest
- (3) Dividends
- (4) Repayment of interest capital (principal amount)

Which of the payments made to the shareholder will be subject to withholding tax in Poland?

- A 1, 2, 3 and 4
- B 1 and 2 only
- C 1, 2 and 3 only
- D 4 only

- 12 Roman has just started his first full-time job, earning a gross monthly salary of PLN 5,000.

What is the total amount of social security contributions which will be deducted from Roman's gross monthly salary?

- A PLN 686
- B PLN 1,037
- C PLN 330
- D Nil

- 13 Robuś Sp. z o.o.'s 2014 profit or loss account includes a total charge of PLN 240,000 for irrecoverable (bad) debts made up as follows:

	PLN
Increase in general allowance for receivables (bad debt provision)	85,000
Low value receivables written off with protocol in place (individually all less than PLN 300)	35,000
Loan to employee written off	45,000
Trade receivable written off after failed court bailiff execution	75,000

What is the disallowable amount in respect of the irrecoverable (bad) debts expense which should be added back in the calculation of Robuś Sp. z o.o.'s taxable income for corporate income tax purposes for 2014?

- A PLN 165,000
- B PLN 240,000
- C PLN 85,000
- D PLN 130,000

- 14** Prior to 2014, Multipleks Sp. z o.o. (MS) only provided services which were subject to value added tax (VAT). In 2014 MS also started to provide services which were VAT exempt. In May 2014, MS incurred input VAT of PLN 7,000 on an invoice for purchases which were related to both its VATable and VAT exempt services. It is not possible to allocate the precise amount of these purchases to each sales type. The proportion of MS's VATable sales to total sales for the month of May only was 81% and for the year to date was 63%.

What is the amount of input VAT related to this purchase which Multipleks Sp. z o.o. can claim in its VAT return for May 2014?

- A** PLN 4,410
- B** PLN 5,670
- C** PLN 7,000
- D** Nil

- 15** The Polish tax system allows taxpayers to apply for an individual tax ruling from the tax authorities on the tax implications of a given transaction.

Which of the following statement(s) referring to individual tax rulings is/are TRUE?

- (1) The taxpayer is legally bound to follow the ruling
- (2) The tax authorities are legally bound to follow the ruling
- (3) The tax ruling once issued cannot be changed
- (4) Once issued and published, tax rulings are binding for other tax authorities and taxpayers if the case is identical to that addressed in the ruling

- A** 1, 2, 3 and 4
- B** 1 and 2 only
- C** 1 only
- D** 2 only

(30 marks)

Section B – ALL SIX questions are compulsory and MUST be attempted

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

- 1** Franciszek runs a registered business activity. He does not own any business assets but leases all the property and equipment he needs for the business.

On 1 July 2014, Franciszek entered into a 60-month finance lease contract for the lease of computer equipment. The computer equipment is of a kind which is likely to become technically obsolete (out-of-date) very quickly. Under the lease contract, Franciszek (the lessee) is expected to make an instalment payment of PLN 320,000 at the start of each 12-month contract period (i.e. five instalment payments will be made over the life of the lease). The market value of the computer equipment on 1 July 2014 was PLN 1.2 million.

On 1 January 2014, Franciszek entered into a two-year operating lease contract to lease office equipment worth PLN 39,000 from his brother-in-law, Stefan (the lessor). Under the operating lease, Franciszek has the option to purchase the equipment (a buy out option) at the end of the lease term for a specified payment. The total payments under this lease contract will amount to PLN 42,000. To keep the agreement simple, Franciszek and Stefan wanted the contract to provide for 24 monthly lease payments of PLN 1,750 and a nominal buy out price of 1 PLN. However, their accountant pointed out that this might cause a personal income tax problem for Stefan as the market value of the used equipment after two years will be at least PLN 25,000.

Franciszek always claims the maximum depreciation write offs applicable.

Required:

- (a) **Explain briefly the difference between an operating lease and a finance lease with respect to the tax deductible costs which can be claimed by the lessee.** (2 marks)
- (b) **In respect of the finance lease contract, calculate the amount of Franciszek's tax deductible costs for the year 2014.** (3 marks)
- (c) **In respect of the operating lease contract, explain why setting the buy out price at 1 PLN would create a personal income tax problem for Stefan and calculate the minimum buy out price required to avoid such a problem.** (5 marks)

(10 marks)

2 Efekt Jo-jo Sp. z o.o. (Jo-jo) produces and sells both food supplements and pharmaceuticals. Sales of food supplements are subject to value added tax (VAT) at the standard rate, while sales of pharmaceuticals are VAT exempt. In March 2014, Jo-jo recorded the following sales, gifts and purchases. All amounts are gross (inclusive) of any applicable VAT except where stated otherwise.

- (1) Sold food supplements in Poland for PLN 1,250,000.
- (2) Exported food supplements for PLN 400,000.
- (3) Sold pharmaceuticals in Poland for PLN 680,000.
- (4) Purchased components used for food supplement production for PLN 840,000.
- (5) Purchased components used for pharmaceutical production for PLN 320,000.
- (6) Purchased product display services in three retail/distribution chains for PLN 20,000 each as follows:
 - in pharmacies distributing both food supplements and pharmaceuticals;
 - beauty clinics distributing pharmaceuticals only; and
 - supermarkets distributing food supplements only.
- (7) Purchased an industrial mixer used for both food supplement and pharmaceutical production for PLN 230,000.
- (8) Purchased consulting services on the promotion of food supplements from a German-based consulting firm, which invoiced Jo-jo for PLN 350,000 excluding VAT.

At the end of March 2014, Jo-jo's cumulative year to date ratio of VATable supplies to total supplies was 85%. Jo-jo's equivalent ratio for the year ended 31 December 2014 was 60% and for the year ended 31 December 2013 was 75%.

Required:

(a) Calculate the value added tax (VAT) payable/deductible by Efekt Jo-jo Sp. z o.o. for the month of March 2014.

Note: You should list all of the items referred to in the question, indicating by the use of zero (0) or 'exempt', where applicable, any items which do not give rise to any output VAT or input VAT. (7 marks)

(b) Calculate the year-end VAT correction related to the March 2014 transactions. (3 marks)

(10 marks)

3 Marko Polo Sp. z o.o. (MPS) is a Polish-based company with business activities in Poland, China and the Netherlands. MPS owns 80% of the shares in Bolan Laoban Ltd (BLL), a Chinese resident company. MPS has a branch in the Netherlands and also owns 10% of the shares in Flying Dutchman BV (FDV), a company resident in the Netherlands. MPS also owns 5% of shares in another Polish company, Inna Sp. z o.o. (Inna).

The following information relates to MPS for the year 2014:

- (1) The taxable income from MPS's trading activities in Poland amounted to PLN 650,000.
- (2) MPS's branch in the Netherlands incurred a loss of PLN 45,000, as calculated according to both the Polish and Dutch tax regulations.
- (3) MPS received a net (cash) dividend of PLN 25,000 from BLL. BLL distributes the whole of its net profit to its owners proportionally to their shareholding.
- (4) MPS received a net (cash) dividend of PLN 90,000 from Inna.
- (5) MPS received net (cash) interest of PLN 30,000 from BLL.
- (6) MPS received net (cash) interest of PLN 15,000 from FDV.

The relevant tax rates in China and the Netherlands are as follows:

	China	The Netherlands
Withholding tax on:		
– dividends	10%	5%
– interest	10%	5%
Local corporate income tax	25%	25%

Both the Poland–China and Poland–Netherlands double tax treaties provide for the credit method for the elimination of double taxation.

Required:

Calculate the Polish corporate income tax payable by Marko Polo Sp. z o.o. for 2014.

Note: You should indicate by the use of zero (0) any amounts referred to in the question which do not impact on the calculation of tax.

(10 marks)

- 4 Akuratny Sp. z o.o. (Akuratny) has a financial year ended 31 December and all of its sales are standard rated for value added tax (VAT).

During the company's audit in April 2015, an invoice for a sale of PLN 100,000 (net of VAT) was discovered. The invoice documented a sale which had occurred on 20 November 2014, which had not been booked for either tax or accounting purposes.

Akuratny's corporate income tax return for the year ended 31 December 2014 reported taxable income of PLN 45,000. Its VAT return showed an excess of output VAT. In both cases, this was before taking into account the discovered invoice. There were no other tax advance overpayments or underpayments between the particular months of 2014.

Akuratny accounted for the discovered invoice and paid the outstanding tax due on 10 April 2015.

Akuratny's taxable income for corporate income tax for the year ended 31 December 2014, including the discovered invoice, is PLN 145,000. The company's taxable income for 2013 was PLN 450,000 and for 2012 was PLN 30,000.

Required:

- (a) Calculate the penalty interest due to be settled by Akuratny Sp. z o.o. using:

- (i) the standard method of corporate income tax (CIT) pre-payments; and (4 marks)
(ii) the simplified method of CIT pre-payments. (2 marks)

Notes:

1. The National Bank of Poland reported Lombard rate for the period was 4%.
2. The first working days in December 2014 after the relevant tax due dates were 22 December and 29 December respectively.
3. Your calculations of penalty interest should be done to the nearest day.
4. You should consider penalty interest in respect of both VAT and CIT.

- (b) On the finalisation of the audit, it turned out that the discovered sales invoice of PLN 100,000 (as above) was in fact just a test printout and did not document an actual sale nor was it ever issued to a customer. Hence Akuratny has submitted a corrected tax return and asked the tax office for a refund of tax overpaid.

Required:

- (i) State by when Akuratny Sp. z o.o. can expect to receive the refund of tax and penalty interest. (1 mark)
(ii) State the options available to Akuratny Sp. z o.o. if the tax office does not agree to refund the tax overpaid. (2 marks)
(iii) State the tax authorities' obligations if Akuratny Sp. z o.o. eventually wins the refund dispute in (ii) above. (1 mark)

(10 marks)

5 Aldona and Marek are married. They live in a 100 square metre apartment in Przemyśl, Poland, which they bought in 2005 for PLN 480,000.

Throughout 2014, Aldona was employed as an engineer in a company located in a town 20 kilometres away from Przemyśl. Aldona earns PLN 11,000 per month from this employment and in addition received the following benefits from her employer throughout 2014:

- (1) Engineering training held in a lavish hotel in Florida. The cost of the training session was PLN 12,000, but including travel, meals and hotel accommodation the total cost amounted to PLN 32,000.
- (2) A cookery classes voucher worth PLN 500, which she was awarded for a successful project.
- (3) A total *per diem* allowance of PLN 700 for a nine-day business trip to Szczecin, Poland.
- (4) A reimbursement of PLN 2,000 for return travel from Przemyśl to Szczecin (1,900 kilometres) using her own car.
- (5) A reimbursement of PLN 1,800 for the hotel invoice in Szczecin.

In addition to her employment income, Aldona receives PLN 3,000 per month from renting out a 60 square metre apartment which she had inherited from her grandmother in 2009. In 2014 the maintenance costs of this apartment amounted to PLN 700 per month.

Marek has been running his own business activity for several years. In 2014 his taxable income from trading, before depreciation and the personal costs of running the business activity, was PLN 55,000. Marek qualifies as a 'small taxpayer' for personal income tax purposes.

During 2014, Marek bought the following items of equipment for use in his business activity:

- on 15 May, a drilling machine for PLN 22,000
- on 16 June, a portable generator for PLN 12,000
- on 10 November, a computer for PLN 3,000

Marek uses one of the rooms in their apartment in Przemyśl to manage his business and do all the necessary administrative work. The room has an area of 15 square metres.

Aldona and Marek elect for joint taxation and do not use the flat rate taxation methods for any part of their income.

Required:

Calculate the personal income tax payable by Aldona and Marek for 2014.

Note: You should indicate by the use of zero (0) any amounts referred to in the question which do not impact on the calculation of tax.

(15 marks)

**This is a blank page.
Question 6 begins on page 14.**

6 For the year ended 31 December 2014, the draft accounts of Ostatex Sp. z o.o. (Ostatex) show a loss of PLN 30,000 after crediting:

- interest income accrued of PLN 45,000 from a loan granted in June 2014. The closing interest receivable balance was PLN 25,000; and
- a dividend of PLN 150,000 from a German subsidiary, in which Ostatex has owned 20% of the shares since January 2014.

The following items and events have not yet been included in the books of Ostatex or reflected in the draft accounts:

- (1) An advance payment of PLN 100,000 received in 2014 for the delivery of goods in February 2015.
- (2) An increase in Ostatex's registered share capital of PLN 230,000. PLN 130,000 of the increase had been subscribed for in cash, while the remaining amount was contributed in the form of a perpetual usufruct of land (*użytkowanie wieczyste*). The market value of the usufruct has been assessed at PLN 400,000 and the outstanding usufruct time is 40 years.
- (3) A refund of penalty interest of PLN 7,500 received after Ostatex won a case against the tax office.
- (4) A contractual penalty of PLN 300,000 returned by a business partner. The penalty had been paid by Ostatex in 2013 when it had terminated a contract in order to free up resources to perform a more profitable contract with another partner. In 2014 Ostatex found additional production capacity and was able to perform the terminated contract and so was repaid the penalty.
- (5) A cash receipt of PLN 30,000 in respect of recovery of receivables written off in previous years (bad debts). PLN 20,000 of this amount had been documented by a court collector as irrecoverable and PLN 10,000 had been written off for prudence purposes as part of Ostatex's general allowance for receivables.
- (6) An invoice for PLN 30,000 in respect of security services over Ostatex's premises. The invoice, which was paid by Ostatex on 15 July 2014, related to the 12-month period starting on 1 August 2014.
- (7) Depreciation has still to be calculated in respect of the following assets:
 - machinery bought and put to use on 1 January 2013 for PLN 100,000;
 - the perpetual usufruct received as a capital contribution (see (2) above); and
 - ten laptop computers bought on 1 June 2014 for PLN 2,400 each.

Ostatex always claims the maximum and fastest depreciation write-offs possible.

- (8) On 1 June 2014, Ostatex took out a ten-year loan of PLN 1 million to finance its operating activity. The arrangement fee on the loan was 3%, payable on draw down of the loan. The interest rate on the loan is 5% per annum and is paid monthly on the last day of the month.
- (9) Ostatex uses an IT platform which is provided free of charge by its shareholder. The cost of these IT services to the shareholder is PLN 20,000 per year.
- (10) A donation of PLN 10,000 made by Ostatex on 24 December 2014 to a Polish public benefit organisation.
- (11) Ostatex's taxable income/loss in the previous three years has been:

2013:	income of PLN 40,000
2012:	loss of PLN 60,000
2011:	income of PLN 11,000

- (12) Ostatex pays its corporate income tax instalments using the simplified method.

All figures are stated excluding (net of) any applicable value added tax (VAT).

Required:

Calculate the corporate income tax payable/refundable by Ostatex Sp. z o.o. for 2014.

Notes:

1. Your computation should start with the loss per the draft accounts of PLN 30,000 and should list all of the items referred to in the question indicating by the use of zero (0) any item which does not require adjustment.
2. You should assume that all the events in previous years were correctly accounted for in line with the corporate income tax regulations.

(15 marks)

End of Question Paper