

Fundamentals Level – Skills Module

# Taxation (Poland)

Thursday 8 December 2016



**Time allowed:** 3 hours 15 minutes

This question 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 question paper until instructed by the supervisor.**

**Do NOT record any of your answers on the question paper.**

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

# Paper F6 (POL)

Think Ahead

**ACCA**

The Association of  
Chartered Certified  
Accountants

## 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 2016

The following tax rates and allowances and ZUS rates for 2015 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 PLN	Employer no > 1	Commuting
PLN 111·25	1,335	x	x
(150%)	2,002	✓	x
PLN 139·06	1,668	x	✓
(150%)	2,502	✓	✓

### Various personal income tax reliefs

	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

### Other personal income tax rates

Donation rate	6%
Capital gains rate	19%
Tax on selected prizes	10%
Tax on undeclared sources of income	75%

### 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 2015	19%
Donation rate	10%

**Withholding tax**

Basic dividend withholding tax rate	19%
Basic interest, royalties and intangible services withholding tax rate	20%

**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 per square metre	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%	–
	<u>20·74%</u>	<u>13·71%</u>

Upper earnings limit PLN 118,770

**Average and minimum monthly salary**

	PLN
Minimum salary	1,750
Average salary	4,000

**Value added tax (VAT)**

Standard rate	23%
Registration limit	PLN 150,000

## 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 Zenobi Miotła works for Podomex SA (Podomex) under a standard labour contract. His gross salary is PLN 8,000 per month.

During October 2015 he received the following additional benefits from Podomex, in addition to his salary:

- A private medical package worth PLN 250 per month; 20% of the package value relates to labour law required services.
- 20 meals in the company canteen available for all employees; each meal costs Podomex PLN 25.
- An advance cash meal allowance for a two-day business trip to another town of PLN 100.
- An advance cash hotel allowance to cover a two-night stay while on the business trip (as above) of PLN 600. Zenobi paid exactly this amount to the hotel but did not present the invoice to Podomex.

Zenobi's accumulated taxable income (salary and bonuses from Podomex) as at 30 September 2015 was PLN 84.

**Required:**

**Calculate the net (cash) salary which will be paid into Zenobi Miotła's bank account by Podomex SA for the month of October 2015.**

**(10 marks)**

- 2 Zadłużona Sp. z o.o. (Zadłużona) is 100% owned by Mikail. For the year 2015, Zadłużona has calculated its taxable income for the purposes of corporate income tax (CIT) as PLN 430,000 before accounting for the following items:

- (1) Zadłużona financed its operating activity with a loan of PLN 60,000 drawn from Mikail on 1 January 2015. The interest rate on this loan is 10% per annum and the interest is compounded on the last day of the year.

The registered share capital of Zadłużona is PLN 5,000. The company's current and retained earnings as shown in its financial statements as at 30 November were PLN 25,000 and as at 31 December 2015 were PLN 28,000.

Zadłużona has no other loans or debts owing to either Mikail or any other related parties.

- (2) On 31 July, Zadłużona completed the construction of a new production line and immediately put it into use. The cost of construction of the production line amounted to PLN 500,000. Zadłużona wishes to depreciate the production line as quickly as possible.

- (3) The construction of the production line was financed in part by a bank loan of EUR 100,000 drawn on 1 January 2015. An arrangement fee of EUR 1,000 was paid on the loan drawdown.

The interest rate on this loan is 10% per annum payable every nine months and Zadłużona paid the relevant amount on 30 September 2015.

On 31 December 2015, Zadłużona repaid EUR 40,000 of the loan principle amount. No interest was repaid on this date.

**Required:**

**Calculate Zadłużona Sp. z o.o.'s taxable income for corporate income tax (CIT) purposes for 2015 after adjusting for items (1) to (3).**

**Note:** The following EUR to PLN exchange rates are to be used where relevant:

1 January 2015	1:4.2
31 July 2015	1:4.2
30 September 2015	1:4.4
31 December 2015	1:4.5

**(10 marks)**

- 3 Zdzisław Pacuła runs an individual business activity repairing heating equipment for companies and individuals. He is registered for value added tax (VAT) as a 'small VAT taxpayer' and has made the relevant election for the cash method of VAT settlement.

As at 31 December 2015, Zdzisław's open sale and payment records showed the following. All amounts are stated excluding VAT.

Customer name	Sale amount PLN	Sale date	Payment date	Notes
Janiak	1,500	10 October 2015	3 October 2015	Prepayment was received in full on 3 October 2015
Nowak	5,000	15 October 2015	unpaid	
Kowalski	8,000	12 November 2015	12 November 2015	
Kanapex Sp. z o.o.	14,500	23 November 2015	23 November 2015 – part payment only	A 20% instalment was received on 23 November 2015
Maliniak	32,000	25 July 2015	30 November 2015	
Oborniak	2,500	20 June 2015	unpaid	
Karolak	18,000	28 February 2015	unpaid	
Wiercinex Sp. z o.o.	28,000	3 May 2015	unpaid	

Kanapex Sp. z o.o. and Wiercinex Sp. z o.o. are VAT registered. All Zdzisław's remaining customers are individuals who are not VAT registered.

In addition, during the 1 October to 31 December 2015 period Zdzisław:

- On 6 October paid PLN 24,000 to a VAT registered wholesaler for the purchase of materials. These materials had been purchased on 1 July 2015 and were all used before 30 September 2015.
- On 10 October purchased from the same wholesaler a new batch of materials costing PLN 18,000 (including VAT). Zdzisław agreed to pay for these materials in January 2016.

**Required:**

**Calculate the amounts of output VAT and input VAT which should have been included in Zdzisław Pacuła's VAT return for the fourth quarter (October to December) of 2015.**

Note: You should list all of the transactions referred to in the question, indicating by the use of zero (0) any for which no entry is necessary.

**(10 marks)**

- 4 Corporate income tax payers conducting transactions with related parties (above a certain threshold of value) are obliged to prepare transfer pricing documentation.

**Required:**

- (a) (i) Define the term 'related parties' under the Polish corporate income tax regulations. (3 marks)
- (ii) State the circumstances in which transfer pricing documentation needs to be prepared for a transaction with a non-related entity. (1 mark)
- (b) List ANY FIVE of the key issues required to be addressed in transfer pricing documentation. (5 marks)
- (c) State how the tax authorities will assess any additional taxable income arising from a non-arm's length transaction with a related party when the company (1) possesses the necessary transfer pricing documentation; and (2) does not possess such documentation. (1 mark)

**(10 marks)**

- 5 Aktywna Sp. z o.o. (Aktywna) started its business on 1 June 2012 and has a tax year which is the same as the calendar year.

Aktywna's taxable income/(tax loss) in each of its previous tax years has been as follows:

<b>Tax year</b>	<b>Taxable income/(loss)</b>
	<b>PLN</b>
2012	140,000
2013	(700,000)
2014	800,000

Aktywna's statement of profit or loss for the year ended 31 December 2015 showed the following:

	<b>Note</b>	<b>PLN</b>
Operating revenue		1,700,000
Dividend income	1	115,000
Interest income	2	95,000
Other income	3	210,000
Forex gain/loss	4	480,000
Operating costs	5	(1,300,000)
Bad debts expense	6	(63,000)
Other expenses	7	(100,000)
Net income		<u>1,137,000</u>

**Notes:**

- (1) Dividend income comprises:

	<b>PLN</b>
Dividend received from a subsidiary company resident in Bulgaria. Aktywna has held 50% of shares in this company since 2011	75,000
Dividend received from a subsidiary company resident in the USA. Aktywna also holds 50% of shares in this company	40,000
	<u>115,000</u>

The dividend income was booked net of any tax withheld. The withholding tax rate for both dividends under the relevant double tax treaties is 10%.

- (2) The financial interest income is comprised solely of interest on a loan granted to Aktywna's Bulgarian subsidiary. The year-end balance sheet account for this loan showed interest receivable accrued of PLN 22,000 at 31 December 2014 and PLN 43,000 at 31 December 2015.
- (3) Other income includes:
- A refund of PLN 25,000 penalty interest paid in 2014 on a value added tax (VAT) payment, which upon review turned out to have been settled correctly.
  - An EU grant of PLN 10,000 for training employees.
- (4) The forex gain relates to the year-end valuation of a cash deposit denominated in Euro held by Aktywna.
- (5) Operating costs include depreciation calculated on all the fixed assets used during the year at the normal tax depreciation rates. These assets include 15 office copiers purchased on 24 January 2015 for PLN 3,000 each. For tax purposes Aktywna always recognises its fixed asset costs as quickly as possible.
- (6) The bad debts expense comprises:
- An adjustment to the general bad debts reserve; the closing balance on this reserve was PLN 40,000 as at 31 December 2014 and PLN 78,000 as at 31 December 2015.
  - A loss on the sale of a deposit receivable; in 2014 Aktywna paid PLN 40,000 as a deposit for services to a company which was declared partially insolvent. In 2015 Aktywna sold this receivable to a debt collector for PLN 15,000.

(7) Other expenses include a donation of PLN 70,000 made to a public benefit company.

**Additional information:**

Aktywna settles its tax advances during the year using the simplified method.

**Required:**

**Calculate the corporate income tax (CIT) payable by/refundable to Aktywna Sp. z o.o. for 2015.**

Note: You should start your computation with the net income figure of PLN 1,137,000 and list all of the items referred to in notes (1) to (7) indicating by the use of zero (0) any item for which no adjustment is necessary.

**(15 marks)**

- 6** Roman is a 23-year-old student. During 2015 Roman earned PLN 600 per month from a personal services contract waiting on tables in the student bar.

Apart from this income, Roman receives rent from a house and an apartment he owns, both of which were rented out for the first time on 1 January 2015.

**(1) House**

The 160 square metre house was inherited by Roman on 20 June 2014 when the assessed market value of the house was PLN 500,000. Roman paid PLN 4,000 in notary fees related to inheritance procedure. No inheritance tax was paid due to an exemption.

In January 2015, Roman spent PLN 3,000 on repairs to the house's faulty heating system. In February 2015, Roman replaced the system for a new and more energy efficient one at a cost of PLN 36,000.

The tenant paid rent of PLN 5,000 per month from 1 January to 30 November 2015 and also paid for all of the utilities, which cost PLN 500 per month.

**(2) Apartment**

In addition to the house, Roman inherited PLN 400,000 which he used to buy an apartment on 1 October 2014.

Roman financed the fitting out of the apartment with a mortgage loan of PLN 50,000. The mortgage interest on this loan amounted to PLN 1,500 in 2015.

The tenant paid rent of PLN 3,000 per month for the whole of the year 2015. Roman paid for the utilities himself, at a cost of PLN 500 per month.

In June 2015, Roman received an insurance payment of PLN 7,000 from an insurance company in relation to a neighbour flooding the rented apartment.

On 23 December 2015 Roman sold the house for PLN 600,000 in order to purchase an apartment for himself to live in. The purchase of this second apartment, for PLN 540,000, was finalised in February 2016.

Roman did not opt for any special methods of taxation for any of his income in 2015.

**Required:**

**(a) Calculate Roman's personal income tax (PIT) payable for 2015.**

Note: You should list all of the items referred to in the question, indicating by the use of zero (0) any items which are not taxable or not deductible. (13 marks)

**(b) State, giving reasons, whether Roman will be required to pay social security contributions (ZUS) in relation to his activities. (2 marks)**

**(15 marks)**

**End of Question Paper**