

Fundamentals Level – Skills Module

# Taxation (Poland)

Tuesday 4 June 2013



**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 2012 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
Internet connection	760
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> )	23
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%
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 105,780

**Average and minimum monthly salary**

	PLN
Minimum salary	1,500
Average salary	3,500
Average private sector salary	3,700

**Value added tax (VAT)**

Normal rate	23%
Registration limit	PLN 150,000

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

- 1 Speedy Gonzales Sp. z o.o. ('SG') is a company providing courier services which has been operating for several years. SG uses a standard calendar year for the tax year and has not opted for any special taxation regime. Its financial statement for 2012 showed the following:

	Note	PLN
Revenues		
Sales	1	6,950,000
Dividend	2	300,000
Financial income	3	430,000
Other	4	75,000
Revenue total		<u>7,755,000</u>
Costs		
Cost of sales	5	3,600,000
Bad debts	6	1,290,000
Depreciation	7	2,100,000
Interest	8	450,000
Other	9	130,000
Costs total		<u>7,570,000</u>
Gross income		<u>185,000</u>
Tax charges	10	<u>180,000</u>

The following additional information is available:

- Sales include an advance payment of PLN 40,000 for works which will start in February 2013. Though no work was done in 2012, the financial director decided to treat this as revenue in 2012 because he believes there is a high likelihood that the work will be done in 2013.
- The dividend received is from a Polish company, Pikuś Sp. z o.o. SG holds 50% of the shares in Pikuś Sp. z o.o.
- Financial income consists of interest receivable of PLN 220,000 and foreign exchange differences (Forex) of PLN 210,000. The forex income was accrued on an overseas payable account which arose in 2012 and had not been paid at the year end. The 2012 opening balance on SG's interest receivable account was PLN 230,000, while the closing balance as at 31 December 2012 was PLN 150,000.
- Other income relates to the insurance claim for the loss of packages. The insurance company has not yet paid this insurance amount to SG.
- Costs of sales includes:
  - PLN 30,000 of costs accrued in relation to work which will be performed in February 2013 for which revenue has been recognised in 2012 for accounting purposes (note 1, above).
  - Salaries for December 2012 of PLN 210,000. Due to temporary liquidity problems, only PLN 90,000 was paid before 31 December 2012. A further PLN 80,000 was paid on 5 January 2013 and PLN 40,000 was paid on 15 January 2013. The labour agreements of SG's employees provide that salaries will be paid by the 10th day of the following month.
- The bad debts charge consists of:

	PLN
Increase in general provision	300,000
Loan to employee written off	20,000
Loan to business partner written off	400,000
Receivables certified as unrecoverable by a court bailiff	500,000
Low value receivables written off (with protocol in place)	70,000
	<u>1,290,000</u>

7. Depreciation is calculated according to the tax regulations with two exceptions:
- (i) In September 2012 SG purchased a warehouse for PLN 2,000,000. For accounting purposes it is treated as an investment property. As its accounting value at the year end remained unchanged, no depreciation charge was made in the income statement. The building is used in conditions worse than normal.
  - (ii) In March 2012 SG purchased 65 high quality computers for a total cost of PLN 300,000. According to the company's policy, fixed assets with a value below PLN 5,000 are expensed directly to the income statement, thus the cost of acquisition was expensed directly as a cost of sales.
- The relevant entries to the fixed assets register held for tax purposes were all made in the month of purchase, and SG always maximises its tax depreciation write-offs if this is possible.
8. The interest expense relates to intercompany loans serviced. In 2012 PLN 430,000 of interest was actually paid.
9. Other expenses comprise:
- (i) PLN 30,000 of unrecoverable value added tax (VAT) on purchases related to VAT exempt activities (loans).
  - (ii) A PLN 100,000 donation given to a certified public benefit organisation.
10. The tax charges comprise only the corporate income tax advance instalments paid during the year.

**Required:**

- (a) Calculate the amount of corporate income tax (CIT) payable by or refundable to Speedy Gonzales Sp. z o.o. as of the end of the year 2012. List all of the items in points 1 to 10, indicating by the use of '0' any item which does not affect the CIT calculation. (18 marks)
- (b) While usually neutral from a CIT perspective, on certain occasions value added tax (VAT) may appear in CIT costs or revenues. Comment briefly on:
- (i) the CIT treatment of unrecoverable VAT;
  - (ii) the CIT treatment of yearly corrections of VAT on purchases related to both VATable and VAT exempt sales; and
  - (iii) the CIT treatment of yearly corrections of VAT on purchases of fixed assets related to both VATable and VAT exempt sales.

Note: The total marks will be split equally between each part. (6 marks)

- (c) Explain the CIT treatment of costs which relate to a given year but for which the invoice for such services is delivered after the year end. (3 marks)
- (d) Explain the CIT treatment of salaries and employer's social security contributions related to a given year which are paid after the year end. (3 marks)

**(30 marks)**

**2** Mona Lisa Turbo is an extremely energetic and busy lady employed in the IT business.

During the whole of 2012, she worked for two employers earning a gross monthly salary of PLN 8,000 in the first company, and PLN 5,000 with the second company. During 2012 her employers remitted a total of PLN 21,000 in personal income tax advances for Mona.

In addition to her salary, Mona received the following emoluments from the first employer:

- (1) A free medical package for which the employer paid PLN 200 a month.
- (2) A *per diem* allowance of PLN 400 for an eight day business trip.
- (3) An allowance of PLN 800 for the eight nights spent in a hotel on the business trip referred to in 2, above. Unfortunately, Mona lost the hotel invoice and did not present it to the payroll department.
- (4) A gift of a nice leather case worth PLN 400.
- (5) A payment for IT training costing PLN 5,400.
- (6) A payment for cookery training of PLN 1,200.

Both Mona's workplaces are located in towns other than the one she lives in.

Apart from her employment income, during 2012 Mona:

- (i) Sold copyrights to her book on computer hacking for PLN 45,000.
- (ii) Rented an apartment with a surface area of 80 square metres to her friend for PLN 3,000 a month. Mona had bought this apartment paying PLN 4,000 per square metre. The purchase was financed with a mortgage. Mona pays mortgage instalments of PLN 16,000 per year and, according to her bank statement, this amount includes interest of PLN 8,640. Mona pays PLN 900 per month for maintenance services (commune fees, heating, etc) related to this apartment. No flat rate taxation election was made.
- (iii) Traded on an internet auction as follows:
  - In August, sold some bijou jewellery for PLN 5,000, which she had bought in a local shop in January for PLN 4,100.
  - In September, due to the demand, bought an additional package of jewellery from the shop for PLN 2,200 and sold it in October for PLN 3,600.
- (iv) Sold an apartment for PLN 430,000, which she had bought in 2004 for PLN 280,000.
- (v) Received PLN 5,000 of interest on her bank deposits.
- (vi) Received PLN 2,000 from an insurance company after a minor car accident.
- (vii) Won PLN 500 in a casino and PLN 12,000 in a lottery.

Mona is a single parent and is bringing up a daughter aged five and a son aged 16. She elects for joint taxation for her personal income tax settlement.

**Required:**

- (a) List the items of Mona Lisa Turbo's non-employment income which will not be included in her consolidated tax base for the purposes of personal income tax (PIT), giving the reason why they are excluded. (5 marks)**
- (b) Prepare Mona's consolidated PIT computation for the year 2012, together with the tax payable/refundable at the year end. (20 marks)**

**(25 marks)**

- 3 Przewózex Sp. z o.o. (Przewózex) is a transport company. The main activities of Przewózex are the transport of goods (standard rate for value added tax (VAT)) and sanitary transport (VAT exempt).

In August 2012 Przewózex made the following sales:

	PLN
Transport of goods	1,835,000
Sanitary transport	700,000

In addition in August 2012:

- Przewózex gave out free gifts with an individual value of PLN 200 each, totalling PLN 3,000 (net of VAT). The VAT was previously recovered on these gifts.
- Przewózex organised a motivational programme ‘Early bird’ for its employees. Drivers who turned up for work before 10 am were awarded with a box of chocolates. During August, chocolate worth PLN 1,500 (net of VAT) was handed out as prizes under this programme. The input VAT was not deducted on the purchase of the chocolate.

During August 2012, Przewózex accounted for the following expenditures (cash spent or gross liabilities):

- (1) PLN 750,000 for goods, services and fixed assets used solely for rendering the services of the transport of goods.
- (2) PLN 350,000 for goods, services and fixed assets used solely for rendering the services of sanitary transport.
- (3) Salaries of PLN 1,550,000.
- (4) PLN 330,000 for goods and services used for rendering both services, the transport of goods and sanitary transport.
- (5) PLN 240,000 for a fixed asset (an automated repair unit) used for rendering both services, the transport of goods and sanitary transport.
- (6) PLN 120,000 for IT services purchased in Germany from a German VAT payer, used for rendering both services, the transport of goods and sanitary transport. The German service provider has no VAT presence in Poland.

Except where stated otherwise, all amounts are stated inclusive of any applicable VAT.

All sales and purchases, except for the services acquired from Germany, were made to or from local Polish customers and suppliers.

The ratio of VATable to total sales for 2011 was 75%. As at 31 August 2012, the year to date (YTD) ratio of VATable to total sales is 60%.

**Required:**

- (a) Calculate the value added tax (VAT) due by or refundable to Przewózex Sp. z o.o. for the month of August 2012. (11 marks)
- (b) Assuming that the actual ratio of VATable to total sales for 2012 was 65% at 31 December 2012, calculate the relevant correction for VAT in respect of the month of August for:
- (i) the purchase of goods and services; and
  - (ii) the purchase of fixed assets.

Note: The total marks will be split equally between each part. (4 marks)

**(15 marks)**

- 4** Mścisław has been offered employment as a marketing specialist by a bank under a standard labour contract with a yearly gross salary of PLN 80,000.

For several years Mścisław has provided marketing services to various organisations acting through his individual business activity. He would like to continue with this business activity and has proposed to the bank that he would instead render his services for a net annual fee of PLN 80,000 rather than be employed under a labour contract.

However, Mścisław's fees would be increased by value added tax (VAT) and, as the bank cannot recover the VAT, it is concerned that the total cost of Mścisław's services would be higher than the cost of employing him. The bank has therefore proposed that, if the total cost of Mścisław's services would be higher than the cost of his employment, the fee for his services would be proportionally reduced.

Mścisław is now not sure which option would give him the higher net income, i.e. the cash that he would keep after taxes.

**Required:**

- (a) Calculate the net salary (actual cash received after taxes) of Mścisław under a labour contract.**

Notes:

1. You should assume that Mścisław has not opted for joint taxation and has no other income.
2. Ignore health service contributions. (4 marks)

- (b) Calculate the total cost to the bank of employing Mścisław under a labour contract.** (2 marks)

- (c) (i) Calculate the total cost to the bank if Mścisław's services are provided in the form of individual business activity at a fee of PLN 80,000;**  
**(ii) Calculate the service fee applicable to Mścisław's services provided in the form of individual business activity which would result in a cost for the bank equal to the amount calculated in part (b).**

Notes:

1. You should assume that Mścisław has not elected for flat rate taxation.
2. The total marks will be split equally between each part. (3 marks)

- (d) Calculate the net service proceeds (actual cash received after taxes) of Mścisław from the adjusted service fee (as calculated in part (c)).**

Notes:

1. You should assume that Mścisław has not opted for joint taxation and has no other income.
2. Ignore health service contributions. (4 marks)

- (e) Assuming Mścisław continues his individual business activity, state how and when his personal income tax liability will be paid.** (2 marks)

**(15 marks)**



**5** Stefano Sp. z o.o. (Stefano) utilises various forms of financing, including intercompany loans.

At 1 January 2012, Stefano was the debtor under the following loan agreements:

Lender	Amount PLN	Interest rate
Bank (not related)	4,500,000	6% p.a.
Marco Sp. z o.o.	2,500,000	5% p.a.
Dino Sp. z o.o.	2,000,000	5% p.a.
Romano Sp. z o.o.	1,000,000	5% p.a.

Marco Sp. z o.o. holds 50% of the shares in Stefano, 30% of the shares in Dino Sp. z o.o. and 10% of the shares in Romano Sp. z o.o.

Stefano's equity is composed as follows:

	PLN
Registered share capital	400,000
Share premium account	1,600,000
Retained earnings	2,000,000
Revaluation reserve	300,000

When the company was set up, the share capital and share premium of Stefano were covered in equal proportion by:

	PLN
Cash contribution	350,000
Fixed asset contribution	200,000
Know-how contribution	400,000
Debt to equity swap (loans and interest)	1,050,000
	<u>2,000,000</u>

Due to liquidity problems, Stefano withheld all interest payments in 2012 until 31 August 2012, when all interest accrued for the eight months from 1 January 2012 was paid.

In addition, on 5 January 2012 Stefano acquired a machine under a lease contract. The machine's value was PLN 220,000. The lease contract provided for five annual instalments of PLN 50,000 each plus a buyout fee of PLN 20,000. The first lease instalment was paid on 5 January 2012.

According to the lease contract, depreciation write-offs should be made by the user. However, for tax purposes Stefano accounted for the whole amount of PLN 50,000 as a tax deductible cost in 2012 and did not bother with the calculation of depreciation.

**Required:**

- (a) Calculate the amount of loan interest that will be treated as a tax non-deductible cost for Stefano Sp. z o.o. due to the thin capitalisation regulations. (10 marks)
- (b) Calculate the correction Stefano Sp. z.o.o. should apply in relation to the lease contract when computing its tax base for 2012. (5 marks)

**(15 marks)**

**End of Question Paper**