
Answers

Section A

Marks

- 1 D (only – as fire department and school are state/municipality owned)
- 2 D $\text{PLN } 56,665 = 142,950 \times (13.71\% + 20.74\%) + (250,000 - 142,950) \times (2.45\% + 2.45\% + 1.93\% + 0.1\%)$
- 3 C $\text{PLN } 127,300 = 670,000 \times 19\%$
- 4 C
- 5 B
- 6 B $\text{PLN } 17,444 = (100,000 \times 18\% - 556)$
- 7 B
- 8 B $\text{PLN } 17,020 = 74,000 \times 23\%$
- 9 D $\text{PLN } 23,300 = 70,000 \times 19\% + 50,000 \times 20\%$
- 10 D $\text{PLN } 172,751 = (830,000 - (830,000 \times 14\% \times 2 \times 11/12)) \times 14\% \times 2$
- 11 A $= 2 \times 1,500 \times 23\% + 1,500 \times 23\% + 3 \times 1,500 \times 23\% + 4 \times 0$
- 12 A
- 13 B
- 14 C
- 15 A

2 marks each

30

Section B

Marks

1 (a) Krańcówka Sp z o.o. – Corporate income tax (CIT) allocation schedule for 2019 and 2020

	2019 PLN	2020 PLN	
(1) Sales revenues <i>Advance invoicing is not a revenue</i>	125,000,000	5,000,000	1
(2) Cost of goods sold $80,000,000 \times 125 \cdot 1 / 130 \cdot 1 \times 5 / 130 \cdot 1$ <i>Costs of goods sold should be allocated proportionally to taxable revenues</i>	(76,925,442)	(3,074,558)	1·5
(3) Interest received <i>Interest is recognised on a cash basis</i>		700,000	0·5
(4) Corrective invoices on turnover <i>Correction is not due to error, hence accounted for when issued</i>		3,200,000	1
(5) Corrective invoices due to errors <i>Correction due to error, hence taken back to 2019</i>	100,000		1
(6) Corrective invoices on services purchased <i>Correction on direct cost, however, received past CIT return deadline</i>		2,700,000	1
(7) Costs of management services <i>Services related to specific period of time, invoice received before CIT return deadline</i>	(800,000)	(200,000)	1
(8) Cost of sales commission <i>Direct cost of sale, however, received past the CIT return deadline</i>		(2,000,000)	1
Taxable income	<u>47,374,558</u>	<u>6,325,442</u>	<u>8</u>

- (b) The deadline for filing the CIT return and payment of the final balance of tax due for the year is the end of the third month after the end of the tax year. Krańcówka's year end is 31 December 2019, so this deadline falls on 31 March 2020.

The deadline for payment of the monthly CIT advance payments is 20th day of the following month.

2

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2 Rowerowa Sp. z o.o. input and output value added tax (VAT) for June 2019

(a)		Input VAT PLN	Output VAT PLN	
Sales				
Sales of bicycles and helmets in Poland	$400,000 \times 23\%$		92,000	0·5
Sales of insurance in Poland	Exempt		0	0·5
Export of bicycles to USA	Zero rated		0	0·5
Sales of insurance to USA	Zero rated		0	0·5
Bicycles gifted	$>100 \text{ PLN } (6,000 \times 23\%)$		1,380	1
Helmets gifted	Not registered $(15 \times 80 \times 23\%)$		276	0·5
Armbands gifted	$<10 \text{ PLN}$		0	0·5
Purchases				
Bicycles and helmets	$300,000 \times 23\%$	69,000		0·5
Armbands	$4,032 \times 23\%$	927		1
Warehouse rent: no partial exemption restriction as overhead relates to taxable supplies	$4,000 \times 23\%$	920		0·5
Insurance advertising	Exempt	0		0·5
Licence for computer use	W1	92		1·5
Total		<u>70,939</u>	<u>93,656</u>	<u>8</u>

Working 1

Partial exemption; $500 \times 23\% \times 80\% = 92$

- (b) Input VAT on service purchases related directly to VAT exempt sales is non-recoverable. If a given service purchase (incurring input VAT) is connected to both the VATable and VAT exempt sales, then in the month of purchase the input VAT is recovered in proportion.

0·5

The proportion is calculated based on VATable to total sales for the last year.

0·5

Marks

At the year end, the amount of input VAT reclaimed using the previous year's (i.e. 2018) proportion is compared to the amount which would be reclaimable using the proportion calculated based on 2019 sales and a difference is payable/reclaimable to/from the Tax Office.

12**10****3 Personal income tax payable by Softex Sp. z o.o. for Roman's salary and benefits in June 2019**

	PLN	
Softex's total cost of employing Roman in June 2019	31,542	0.5
Less employer's ZUS (31,542 x 20.74%)	(6,542)	0.5
Roman's gross salary	25,000	
Add: Benefits		
Training (business related)	0	0.5
Training (non-business related)	200	0.5
Accommodation (within limit)	0	0.5
Mileage (500 – (250 x 1))	250	1
Gym membership (150 – (1,000/12))	67	1
Total emoluments	25,517	
Less ZUS (25,517 x 13.71%)	(3,498)	1
Health service contributions (HSC) basis	22,019	
Flat rate cost For commuting	(139)	0.5
Private income Softex only deducts taxes on employment income	0	1
Tax basis	21,880	
Tax at 18%	3,938	1
Less 556/12	(46)	1
Less HSC (22,018 x 7.75%)	(1,706)	1
Tax payable by Softex in respect of Roman's employment income	2,186	10

4 Pafnucy – Taxable income for 2019

		PLN	
Sales revenue		250,000	0.5
Insurance		12,000	0.5
Salary plus employer's ZUS for Wieslaw	11 x 4,000 x 1.2074	(53,126)	1.5
Penalty interest		0	0.5
Car audio		(4,000)	1
Depreciation	150,000 x 20%	(30,000)	1
Gasoline	700 x 75% x 12	(6,300)	1
Value added tax (VAT) not recovered on gasoline	700 x 23% x 50% x 75% x 12	(725)	1.5
Insurance	6,000 x 150/200	(4,500)	1
Social security contributions (voluntary and mandatory) (ZUS)	11 x 5,000 x 60% x (20.74% + 13.71%)	(11,369)	1.5
Taxable income		151,980	10

5 Kwinta SA – Corporate income tax payable for 2019

	PLN	PLN	
Income			
Sales revenue (VAT exclusive) 190,000,000 x 100/123		154,471,545	1
Outstanding payments received (VAT exclusive) 30,000 x 100/123		24,390	1·5
Less: Expenses			
Unpaid for IT support services	0		1
Cost of products sold	120,000,000		0·5
Financing costs (5,000,000 – 2,700,000 + 1,200,000)	3,500,000		1
Penalty interest	0		0·5
Environmental penalty	0		0·5
Contractual penalty	95,000		0·5
		(123,595,000)	
Operating income		30,900,935	
Less:			
Donation relief W1		(3,110,649)	0·5
Loss brought forward 7,000,000/2		(3,500,000)	1
Tax basis		24,290,286	
Tax at 19%		4,615,154	0·5
Less instalments paid (4,500,000 – 45,000 – 5,556)		(4,449,444)	1·5
Tax due on income		165,710	
Non-EU dividends 50,000 x 1/0·9		55,556	1
Sale of shares Proceeds	700,000		
Less cost	(550,000)		1
		150,000	
Capital income tax basis		205,556	
Tax on capital income 205,556 x 19%		39,056	0·5
Less withholding tax credit		(5,556)	0·5
Tax due		33,500	
Total tax due		199,210	

Working 1: Donation deduction restriction

	PLN	
Income tax basis	30,900,935	
Capital tax basis	205,556	
Total tax basis	31,106,491	0·5
Charitable donation restricted to the lower of:		
Amount paid	4,000,000	0·5
10% of total tax basis (31,106,491 x 10%)	3,110,649	1
		15

6 Zdzisław – Personal income tax (PIT) payable for 2019

Tax payable

		PLN	
Standard PIT			
Service revenue	$= 10,000 \times 1.2074 \times 12$	144,888	2
Interest on business bank account		500	0.5
Social security January–February	W1	(1,920)	0.5
Social security February–December	W1	(1,950)	0.5
Commuting by train (tickets)		(900)	0.5
Laptop depreciation	one off	(4,000)	1
Depreciation of apartment room	$= 988 \times 15 \times 1.5\% \times 11/12$	(204)	1.5
Taxable income		<u>136,414</u>	
Half base (joint assessment)		<u>68,207</u>	0.5
Tax at 18%		12,277	0.5
Less 556		<u>(556)</u>	0.5
Personal income tax		<u>11,721</u>	
Tax x 2 (joint assessment)		23,443	0.5
Less business health service contributions (HSC)	$4,050 \times 7.75/9$ (see W1)	<u>(3,488)</u>	1
Tax due		<u>19,955</u>	
Interest on private bank account taxed separately at source at 19%		152	1

Working 1: Social security (ZUS)

		PLN	
Business social security January–February	$= 2 \times 5,000 \times 60\% \times (20.74\% + 13.71\% - 2.45\%)$	1,920	1.5
Business social security February–December	$= 10 \times 2,200 \times 30\% \times (20.74\% + 13.71\% - 2.45\% - 2.45\%)$	1,950	1.5
Business HSC	$= 12 \times 5,000 \times 75\% \times 9\%$	4,050	1.5
		<u>15</u>	