

Applied Skills

Taxation – Poland (TX – POL)

Tuesday 4 December 2018



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 2–4.

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.

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TX

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 2018

The following tax rates and allowances and ZUS rates for 2017 are to be used in answering the questions.

Personal income tax (PIT)

	Tax amounts to
Up to PLN 85,528	18% of the base less tax free amount
PLN 85,528 and above	PLN 15,359 plus 32% on the excess over PLN 85,528 less tax free amount
Tax free amount:	
PLN 1–6,600	PLN 1,188
PLN 6,600–11,000	PLN 632 x (tax base – 6,600)/4,400
PLN 11,000–85,528	PLN 556
PLN 85,528–127,000	PLN 556 x (tax base – 85,528)/41,472
PLN 127,000 and above	PLN 0

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 (*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	19%
Small entrepreneurs rate	15%
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 127,890

Average and minimum monthly salary

	PLN
Minimum salary	2,000
Average salary	4,300

Value added tax (VAT)

Standard rate	23%
Registration limit	PLN 150,000

Penalty interest

8% p.a.

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** Some tax authorities will permit a taxpayer to confirm aspects of tax settlements and agree the appropriate tax treatment in advance of submitting tax returns. The following are examples of advance rulings which can be obtained from some tax authorities:
- (1) Technical interpretation of a tax law provision
 - (2) Confirmation of whether or not a given transaction constitutes tax avoidance
 - (3) Confirmation of whether or not prices used in related party transactions are at arm's length
 - (4) Agreement of the amount of tax payable on a given transaction

Which of these advance rulings are permitted under Polish income tax law?

- A** 1, 2 and 3 only
 - B** 2 and 3 only
 - C** 1 and 4 only
 - D** 1, 2, 3 and 4
- 2** Edward used to be self-employed and conducted a business activity until 15 December 2015. During 2016 he was employed under a labour contract. On 1 February 2017, Edward started a new self-employed business activity opting to pay only the minimum mandatory social security contributions.

What is the amount of social security contributions (ignoring health service contributions (HSC)) payable by Edward in respect of his new business activity in 2017?

- A** PLN 9,053
 - B** PLN 9,777
 - C** PLN 4,211
 - D** PLN 4,559
- 3** A company is based and tax registered in France. Although it has no office in Poland, it conducts the following activities there:
- (1) Owns a factory in Poland which produces goods, all of which are sold outside of Poland
 - (2) Owns an exhibition centre displaying goods which are produced in France but which may be shipped to Poland
 - (3) Lends money to Polish debtors directly from its French bank account
 - (4) Has an employee who travels across Poland and signs contracts for the delivery of French goods to Poland

Which of these activities would create a permanent establishment in Poland for the French company?

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

4 In which of the following situations is the tax paid a DIRECT tax?

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

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

- 5** In January 2012, Eryk moved into an apartment in Kraków valued at PLN 500,000, which was gifted to him by his parents. In October 2017, Eryk sold the apartment for PLN 600,000 and temporarily stayed with a friend. In December 2017, he purchased an apartment in Warsaw for PLN 420,000 and moved in to this apartment as his main residence.

What is the amount of capital gains tax payable by Eryk in relation to these transactions?

- A** PLN 114,000
- B** PLN 19,000
- C** PLN 34,200
- D** PLN 0

- 6** Jan, a 68-year-old Polish resident, retired three years ago and receives a standard retirement pension from ZUS. However, retirement does not suit Jan and he wants to start his own business activity. He anticipates the business will do well and he will earn a monthly salary above the statistical average. Jan will not use a tax card to settle his tax.

Which of the following types of social security contributions (SSC) and health service contributions (HSC) will Jan be required to pay?

- A** None (as he has full retirement rights)
- B** Standard SSC and HSC for individual business activity
- C** 50% of the standard SSC and HSC for individual business activity
- D** HSC only

- 7 In 2017, Marek Sp. z o.o. charged the following amounts in respect of its irrecoverable and impaired debts against its profit in the statement of profit or loss:

	PLN
Increase in general allowance for receivables	75,000
Low value receivables written off	40,000
Loan written off	35,000
Trade receivables written off	145,000
	<hr/>
	295,000

The loan of PLN 35,000 and the receivables of PLN 145,000 were written off after formal confirmation from the courts that the amounts were irrecoverable.

What is the total disallowable amount in respect of these expenses in the calculation of Marek Sp. z o.o.'s taxable income for corporate income tax (CIT) purposes?

- A PLN 0
 - B PLN 115,000
 - C PLN 110,000
 - D PLN 150,000
- 8 ITG Sp. z o.o. purchased a passenger car for PLN 210,000 for use in its business. The car was put to use in July 2017 and due to intensive use on poor local roads, ITG Sp. z o.o. wants to depreciate the car as quickly as possible. The relevant EUR/PLN exchange rate is 1:4.2.

What is the amount of tax depreciation ITG Sp. z o.o. can claim in respect of the car for 2017?

- A PLN 17,500
 - B PLN 7,000
 - C PLN 35,000
 - D PLN 42,000
- 9 In January 2017, Bravo Sp. z o.o. started to trade, registered for value added tax (VAT) and made its first taxable supplies. In March 2017, it purchased some equipment for PLN 40,000 in cash.

What is the minimum number of days within which Bravo Sp. z o.o. can obtain a cash refund of the input value added tax (VAT) suffered on the equipment purchase?

- A 25 days
 - B 60 days
 - C 180 days
 - D 120 days
- 10 In which of the following situations does personal income tax (PIT) need to be withheld on payments to individuals?
- (1) By an employer on payments made under a labour contract for the provision of personal services
 - (2) By a bank on interest added to savings accounts
 - (3) By a brokerage office on dividend payments made from a listed company
- A 1 and 2 only
 - B 2 and 3 only
 - C 1 only
 - D 1, 2 and 3

- 11 Romeo, a value added tax (VAT) registered individual, had the following transactions in June 2017:

	VAT exclusive amount PLN
Sales:	
Standard rated supplies of goods to Polish customers	2,000
Exports of goods outside the EU	1,200
Exempt supplies of services in Poland	800
Purchases (all standard rated):	
In relation to the supply of goods	1,000
In relation to the supply of exempt services	600
In relation to both the supply of goods and exempt services	400

The previous year's taxable to total sales ratio was 70%.

What is the amount of value added tax (VAT) payable by Romeo for June 2017?

- A PLN 414
- B PLN 202
- C PLN 235
- D PLN 166

- 12 During 2017 Stefano Sp. z o.o. made the following donations:

	PLN
To a private hospital run by a public benefit organisation	8,000
To a church for religious and cultural purposes	7,000
To a kindergarten run by the municipality	9,000

Stefano Sp. z o.o.'s taxable income for 2017 was PLN 120,000.

What is the amount of corporate income tax (CIT) payable by Stefano Sp. z o.o. after allowable deductions?

- A PLN 19,950
- B PLN 18,240
- C PLN 20,520
- D PLN 19,190

- 13 Karol, a single parent with two daughters aged 10 and 17, earned PLN 110,000 of taxable income from an employment labour contract in 2017.

Assuming Karol wants to claim the most effective method of tax settlement, what is the amount of personal income tax (PIT) payable by Karol for 2017 (ignore health service contributions (HSC))?

- A PLN 18,688
- B PLN 16,464
- C PLN 15,908
- D PLN 18,132

14 Which of the following methods of filing a monthly VAT-7 return are permitted for an individual running a business activity?

- (1) Direct filing in the tax office, or sending a registered mail letter (*list polecony*)
- (2) Sending a normal mail letter (*list zwykły*)
- (3) Filing an electronic return via a tax authorities application without a certified electronic signature or a trusted public profile (*EPUAP*)

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

15 The Polish legal system comprises various sources of law, including:

- (1) The Acts (*Ustawy*)
- (2) The Ministerial Decrees (*Rozporządzenia*)
- (3) Ratified International Agreements (*Ratyfikowane Umowy Międzynarodowe*)

Which of these sources of law create regulations which an individual or company is obliged to comply with under the Polish tax system?

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

(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 Roman has for many years run a small shop selling sports equipment directly to customers and on the internet. Roman's supplies are standard rated and he qualifies as a small value added tax (VAT) taxpayer. He has made the relevant election for the cash method of VAT settlement.

For the first quarter (January to March) of 2017, Roman had the following transactions:

	VAT exclusive amount PLN	Date of transaction	Payment details	VAT status of purchaser/supplier
Sales and other proceeds:				
Shop sales to individuals	24,000	1 January to 31 March 2017	Cash sales	Non-VAT registered
Internet sale 1	3,000	15 March 2017	16 April 2017	Non-VAT registered
Internet sale 2	2,500	Not yet shipped	Prepayment received on 25 February 2017	Non-VAT registered
Internet sale 3	6,000	18 March 2017	28 March 2017	VAT registered in Germany
Internet sale 4	2,000	22 March 2017	Not yet received	Non-VAT registered
Internet sale 5	4,000	14 February 2017	30 March 2017	VAT registered in Poland
Payments in respect of prior period sales:				
Customer A payment receipt	7,000	16 February 2016	10 January 2017	VAT registered in Poland
Customer B payment receipt	8,000	20 February 2016	12 January 2017	Non-VAT registered
Customer C – not yet paid	4,500	25 July 2016	Not yet received	Non-VAT registered
Customer D – not yet paid	2,600	30 October 2016	Not yet received	Non-VAT registered
Purchases and other expenditure:				
Staff salaries	12,000	1 January to 31 March 2017	Paid monthly in arrears on 10th of each month	N/A
Product purchase 1	13,000	12 December 2016	14 February 2017	VAT registered in Poland
Product purchase 2	6,000	10 January 2017	17 April 2017	VAT registered in Poland

Required:

Calculate the amounts of output and input value added tax (VAT) which should have been included in Roman's VAT return for the first quarter of 2017.

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

(10 marks)

- 2 Wytrwała Sp. z o.o. (Wytrwała), a Polish resident company, has been in business for many years. It has reported the following corporate income tax (CIT) income/(losses):

Period ended	CIT income/(loss) PLN
31 December 2016	200,000
31 December 2015	(500,000)
31 December 2014	2,500,000
28 February 2013	(700,000)
28 February 2012	800,000

Wytrwała had taxable income of PLN 2,300,000 for the seven-month period ended 31 July 2017 and its taxable income for the remaining months of 2017 are as follows:

Month	CIT income/(loss) PLN
August 2017	(200,000)
September 2017	50,000
October 2017	220,000
November 2017	300,000
December 2017	100,000

On 10 November 2017, Wytrwała made a donation of PLN 200,000 to a public benefit organisation which has been taken account of in the November taxable income figure.

Required:

Calculate Wytrwała Sp. z o.o.'s total monthly corporate income tax (CIT) instalment for the period from August to December 2017 using the:

- (a) **simplified method;** (3 marks)
- (b) **standard method.** (7 marks)

(10 marks)

- 3 With effect from 2017, Polish companies conducting transactions with related parties are obliged to prepare transfer pricing documentation if revenues or costs for the financial year exceed defined thresholds.

Required:

Briefly explain the new rules relating to the transfer pricing documentation required if revenues (or costs) are:

- (a) **Below EUR 2,000,000.** (1 mark)
- (b) **Between EUR 2,000,000 and EUR 10,000,000.** (3 marks)
- (c) **Between EUR 10,000,000 and EUR 20,000,000.** (2 marks)
- (d) **Between EUR 20,000,000 and EUR 750,000,000.** (4 marks)

(10 marks)

- 4 Anna, a 20-year-old university student, receives a monthly social scholarship of PLN 1,200 and PLN 1,000 a month gifted from her parents.

The following additional information is relevant for 2017:

- (1) Anna taught Spanish lessons to a group of students under a personal service agreement (*umowa zlecenia*) with a language school. In total, Anna gave 100 hours of lessons and earned PLN 100 per hour.
- (2) She made 20 sets of handmade jewellery which she sold for PLN 150 each. The materials to produce the jewellery cost PLN 450 in total and Anna spent four hours making each set. In 2017, the minimum salary was PLN 10 per hour.
- (3) Anna sold a camera for PLN 400 on 20 October 2017 which she purchased in a pawn shop on 10 April 2017 for PLN 150.
- (4) She sold a notebook for PLN 1,000 on 15 December 2017 which she bought for PLN 500 on 10 April 2017.
- (5) Anna received dividends of PLN 1,000 on 20 December 2017 from a small number of shares she owns in a public listed company.

Anna has no registered individual business activity.

Required:

Calculate the personal income tax (PIT) payable by Anna, if any, for 2017.

Note: You should list all of the items referred to in the question indicating by the use of zero (0) any which do not have any impact on the tax computation.

(10 marks)

- 5 Pracowita Sp. z o.o. (Pracowita), a Polish resident company, had taxable income of PLN 6,500,000 for 2017, excluding the effect of the information below.

Throughout 2017, Pracowita financed its business activity with the following loans which were taken out on 1 January 2017:

- (1) PLN 2,000,000 from Greedy Ltd, a non-related company based in another EU country, at an interest rate of 5% p.a. All interest accrued on the loan to 31 August 2017 was paid. The loan agreement contains a gross-up clause which obliges Pracowita to cover Greedy Ltd for any Polish taxes related to the loan.
- (2) PLN 16,000,000 from Easy Ltd, a 25% shareholder of Pracowita based in another EU country, at an interest rate of 5% p.a. All interest accrued on the loan to 30 November 2017 was paid. The loan agreement has no gross-up clause.
- (3) PLN 8,000,000 from Rapacious Ltd, a 25% shareholder of Pracowita based in a country outside the EU, at an interest rate of 14% p.a. All interest accrued on the loan to 30 November 2017 was paid. The loan agreement has no gross-up clause.
- (4) PLN 4,000,000 from Chciwy Sp. z o.o., a non-related Polish company, at an interest rate of 10% p.a. All interest accrued on the loan to 31 December 2017 was paid. The loan agreement has no gross-up clause.

During the year the following additional events took place:

- (5) On 1 July 2017, Pracowita made advance payments for services as follows:

- PLN 300,000 for a year of accounting services from Orderly Ltd
- PLN 600,000 for data processing services from Careless Ltd.

Both suppliers are tax residents of another EU country, however, only Orderly Ltd has provided its tax residence certificate to Pracowita.

- (6) On 1 March 2017, Pracowita paid an annual licence fee of PLN 900,000 for the first time to a non-related EU based supplier for the use of a copyright to a design.
- (7) On 30 September 2017, Pracowita paid total dividends to its shareholders of PLN 1,000,000. The remaining shares in Pracowita (other than those held by Easy Ltd and Rapacious Ltd) are held by 25 Polish individuals, each holding a 2% interest.

Note that the maximum interest rate considered to be at arm's length for related party loans is 8% p.a., and all foreign lenders, suppliers and dividend recipients are resident in countries which have a valid double tax treaty (DTT) with Poland.

Each DTT provides for a 10% withholding tax (WHT) rate on interest and royalties where applicable and 5% on dividends.

Required:

- (a) Calculate the amount of withholding tax Pracowita Sp. z o.o. should remit in relation to the payments made during 2017. (10 marks)
- (b) Calculate the corporate income tax (CIT) payable by Pracowita Sp. z o.o. for 2017. (5 marks)

Note: You should list all of the items referred to in the question indicating by the use of zero (0) any which do not have any impact on the tax computation.

(15 marks)

- 6** Marta runs her own business activity as an architect. Recently, she decided to employ someone to help her grow the business.

Marta offered a part-time job to Marek to help her with calculations and design work. Marek will not prepare complex designs on his own and will not transfer any of the copyrights to his work to Marta.

The offer is to pay Marek a gross salary of PLN 4,000 per month, however, he is also open to entering into a personal services contract with Marta if to do so would be more economically effective. If this is the case, Marek is willing to opt out of any non-mandatory social insurance.

Marek is currently not employed nor does he have his own business activity. If he commits to working with Marta, he will not set up a business or accept contract work from other parties.

Required:

- (a) Calculate the total monthly expenditure Marta will incur and the net monthly cash inflow for Marek if:**

(i) Marta employs Marek, or

(ii) Marta enters into a personal services contract (*umowa zlecenia*) with Marek. (13 marks)

- (b) Explain the impact, if any, on Marta and Marek if Marek's employment or personal services contract specifies that his designs would be subject to copyright and transferred to Marta.**

Note: You are NOT required to perform any calculations for this part. (2 marks)

(15 marks)

End of Question Paper