
Answers

Section A

Marks

- 1 A
- 2 A PLN 9,053
[4,300 x 11 x 60% x 31·9%]
- 3 C
- 4 A
- 5 C PLN 34,200
[(600,000 – 420,000) x 19%]
- 6 D
- 7 C PLN 110,000
[75,000 + 35,000]
- 8 B PLN 7,000
[20,000 x 4·2 x 20% x 5/12]
- 9 B
- 10 D
- 11 D PLN 166
[(2,000 x 23%) – ((1,000 x 23%) + (400 x 70% x 23%))]
- 12 C PLN 20,520
[(120,000 x 90%) x 19%]
- 13 B PLN 16,464
[(((110,000/2) x 18%) – 556) x 2 – (1,112 x 2)]
- 14 D
- 15 D

2 marks each

30

Section B

Marks

1 Roman

Value added tax (VAT) return for the first quarter (January to March) of 2017

	Value (excluding VAT) PLN	VAT at 23% PLN	
Output VAT			
Cash sales in shop to individuals	24,000	5,520	0·5
Internet sale 1	3,000	0	0·5
Internet sale 2	2,500	575	0·5
Internet sale 3	6,000	0	1
Internet sale 4	2,000	0	0·5
Internet sale 5	4,000	920	0·5
Payments in respect of prior period sales:			
Customer A payment receipt	7,000	1,610	1
Customer B payment receipt	8,000	0	1
Customer C – not yet paid	4,500	1,035	1
Customer D – not yet paid	2,600	0	1
		<u>9,660</u>	
	Value (excluding VAT) PLN	VAT at 23% PLN	
Input VAT			
Staff salaries	12,000	0	0·5
Product purchase 1	13,000	2,990	1
Product purchase 2	6,000	0	1
		<u>2,990</u>	<u>10</u>

2 Wytrwała Sp. z o.o.

Corporate income tax (CIT) instalments August to December 2017

(a) Simplified method

2014 as basis due to loss in 2015	= (2,500,000 – 50% x 700,000) x 19%	408,500	2
August to December 2017 instalment	= 408,500/22 x 5	92,841	1
		<u>3</u>	

(b) Standard method

2015 and 2013 losses available for utilisation in 2017:

2013	= 700,000 – 350,000 – 200,000	150,000	1·5
2015	= 500,000 x 50%	250,000	1
Loss available in 2017		<u>400,000</u>	

CIT instalments	CIT basis	Year to date CIT due per month end	CIT instalment	
	PLN	PLN	PLN	
January to July	(2,300,000 – 400,000)	1,900,000	361,000	1
August	(1,900,000 – 200,000)	1,700,000	0	0·5
September	(1,700,000 + 50,000)	1,750,000	0	0·5
October	(1,750,000 + 220,000)	1,970,000	13,300	0·5
November	(1,970,000 + 300,000 – 200,000)	2,070,000	19,000	1·5
December	(2,070,000 + 100,000)	2,170,000	19,000	0·5
			<u>7</u>	
August to December 2017 instalment = PLN 51,300			<u>10</u>	

		Marks
3 Transfer pricing (TP) documentation requirements		
(a) Companies with yearly revenues (or costs) below EUR 2,000,000 do not need to prepare TP documentation at all.		<u>1</u>
(b) Companies recording yearly revenues/costs between EUR 2,000,000 and EUR 10,000,000 need to prepare a so-called 'local file' comprising: A description of transactions (or other arrangements) with related parties, including in particular: – the type and subject matter of those transactions; – financial data; – identification data of related parties; – the functions performed by the taxpayer and related parties, the assets used and the risks assumed; and – a description of the method of calculation of the taxpayer's income (or loss) plus a justification for the choice of method.		0·5
	<i>0.5 mark each, max</i>	<u>2·5</u>
		<u>3</u>
(c) Companies with yearly revenues/costs between EUR 10,000,000 and EUR 20,000,000 should prepare a local file as described in (b), and in addition a benchmark study comparing the related party transaction terms with the terms of comparable market transactions between non-related entities.		<u>2</u>
(d) Companies with revenues between EUR 20,000,000 and EUR 750,000,000 should prepare a local file (as in (b)) and a benchmark study (as in (c)), and in addition a so-called 'master file', being a report on the taxpayer's group of related parties. In particular, this group report should comprise: – structure of the group; – transfer pricing policy of the group; – a description of the group's business profile; – information on intangibles operated by the group; – information on financial standing of related parties; – information on any agreements with the tax authorities on TP rules; and – information on the entity preparing the group TP reporting.		0·5
	<i>0.5 mark each, max</i>	<u>3·5</u>
		<u>4</u>
		<u>10</u>

4 Anna

Personal income tax (PIT) computation 2017

	PLN	
Cumulative income:		
Scholarship – exempt	0	1
Gift from parents – not subject to PIT	0	1
Spanish lessons (100 x 100)	10,000	1
Sale of handmade jewellery (20 x 150)	3,000	0.5
Cost of materials	(450)	0.5
Cost of own work	0	0.5
Sale of camera (400 – 150)	250	1
Sale of notebook (>6 months)	0	1
Taxable income	<u>12,800</u>	
Tax at 18%	2,304	0.5
Less tax-free amount	(556)	0.5
HSC – exempt from social security and HSC	(0)	1.5
PIT due	<u>1,784</u>	
Dividend income (separately taxed at 19%) (1,000 x 19%)	190	1
		<u>10</u>

5 Pracowita Sp. z o.o.

(a) Withholding tax (WHT) remitted for 2017

		Tax base PLN		WHT PLN	
Interest – Greedy Ltd	= 2,000,000 x 5% x 8/12	66,667	gross up/90% x 10%	7,407	1.5
Interest – Easy Ltd	= 16,000,000 x 5% x 11/12	733,333	exempt	0	1
Interest – Rapacious Ltd	= 8,000,000 x 8% x 11/12	586,667	x 10%	58,667	1
Interest – Rapacious Ltd (excess part)	= 8,000,000 x 6% x 11/12	440,000	x 20%	88,000	0.5
Interest – Chciwy Sp. z o.o.	= 4,000,000 x 10%	400,000	not applicable	0	0.5
Intangible services – Orderly Ltd		300,000	exempt	0	1
Intangible services – Careless Ltd		600,000	x 20%	120,000	1
Licence fee		900,000	x 10%	90,000	0.5
Dividend – Easy Ltd	= 1,000,000 x 25%	250,000	exempt	0	1
Dividend – Greedy Ltd	= 1,000,000 x 25%	250,000	x 5%	12,500	1
Dividend – Polish individuals	= 1,000,000 x 50%	500,000	x 19%	95,000	1
				<u>471,574</u>	<u>10</u>

			Marks
(b) Corporate income tax (CIT) computation 2017			
	PLN	PLN	
Trading income		6,500,000	0·5
Total interest paid (66,667 + 733,333 + 586,667 + 440,000 + 400,000)	2,226,667		
Less:			
Not allowed under transfer pricing (TP) rules	(440,000)		
Grossed up WHT	7,407		
	<u>1,794,074</u>	(1,794,074)	1·5
Licence fee (900,000 x 10/12)		(750,000)	1
Intangible services – Orderly Ltd and Careless Ltd (900,000 x 6/12)		(450,000)	1
Taxable income		<u>3,505,926</u>	0·5
Tax at 19%		<u>666,126</u>	0·5
		<u>5</u>	
		<u>15</u>	

6 Marta

(a) (i) Employment

	PLN	
Gross salary	4,000	0·5
Social security (4,000 x 13·71%)	(548)	1
Health service contribution (HSC) basis	3,452	
Costs	(111)	0·5
Income	<u>3,341</u>	
Tax at 18%	601	0·5
Less tax free amount (556/12)	(46)	0·5
Tax	<u>555</u>	
Less HSC (3,452 x 7·75%)	(267)	0·5
Tax due	<u>288</u>	

Total monthly expenditure by Marta:

	PLN	
Salary	4,000	0·5
Employers social security (4,000 x 20·74%)	830	0·5
	<u>4,830</u>	

Net monthly cash inflow for Marek:

	PLN	
Salary	4,000	0·5
Employee social security (as above)	(548)	0·5
HSC at 9% (267 x 9/7·75)	(310)	0·5
Tax (as above)	(288)	0·5
After-tax cash	<u>2,854</u>	

		Marks
(ii) Personal service		
	PLN	
Gross remuneration	4,000	0·5
Social security deduction (4,000 x 11·26%)	(450)	0·5
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HSC and cost basis	3,550	
Lump sum cost (3,550 x 20%)	(710)	1
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Taxable income	2,840	
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Tax at 18%	511	0·5
Less tax free amount (556/12)	(46)	0·5
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Tax	465	
Less HSC (3,550 x 7·75%)	(275)	0·5
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Tax due	190	
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Total monthly expenditure by Marta:		
	PLN	
Remuneration	4,000	0·5
Employers social security (4,000 x 20·74%)	830	0·5
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	4,830	
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Net monthly cash inflow for Marek:		
	PLN	
Remuneration	4,000	0·5
Employee social security (as above)	(450)	0·5
HSC at 9% (275 x 9/7·75)	(319)	0·5
Tax	(190)	0·5
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After-tax cash	3,041	13
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- (b)** If Marek's work were to comprise preparation of works which are subject to copyright, ownership of which would be transferred to Marta, he would be entitled to an increased 50% lump sum cost deduction.

Regardless of whether Marek works under an employment contract or a personal services contract, it should be specified in the contract what amount of time and salary is allocated to copyright work and this part would benefit from the 50% deduction. The remaining part of salary or contract remuneration would benefit from the standard cost deduction (i.e. PLN 111·25 per month for employment or 20% lump sum cost for a personal services contract).

2

15