
Answers

Section A

Marks

- 1 A
- 2 D $\text{PLN } 1,840,000 ((15,000,000 \times 23\%) - (10,000,000 \times 23\% \times 7/10))$
- 3 C $\text{PLN } 1,113 (2,100 \times 30\% \times 6 \times (9.76\% + 6.5\% + 1.93\% + 9.76\% + 1.5\%))$
- 4 B
- 5 D
- 6 C $\text{PLN } 24,088 ((70,000 \times 18\% - 556) \times 2)$
- 7 A $\text{PLN } 427,500 ((5,000,000 - 2,500,000 - 250,000) \times 19\%)$
- 8 B $\text{PLN } 2,111 ((5,000 \times (13.71\% + 20.74\%)) + (5,000 \times (100\% - 13.71\%) \times 9\%))$
- 9 D
- 10 B $\text{PLN } 120,000$ (since below the PLN 2 million cap)
- 11 D $\text{PLN } 8,000 (((30,000 + (2,000 \times 12) - (450 \times 12) - (72 \times 988 \times 1.5\%)) \times 18\%) - 556)$
- 12 C
- 13 B
- 14 C
- 15 A

2 marks each

30

Section B

Marks

1 Zdzisław Bywały – Personal income tax (PIT) payable for 2018

		PLN	
Revenues:			
Work in Poland	(16,000 x 4)	64,000	0·5
Work in Country Y	(EUR 6,500 x 4 x 8)	208,000	1
Social security contributions (ZUS):			
Poland	(64,000 x 13·71%)	(8,774)	1
Country Y	(14,000 x 4)	(56,000)	1
Costs:			
Poland	(111·25 x 4)	(445)	0·5
Country Y	((30% x 42 x 4 x 8 x 30) + (111·25 x 8))	(12,986)	1
Taxable income		<u>193,795</u>	
Tax	(15,359 plus 32% on excess above 85,528)	50,004	1·5
No tax free amount		0	
Health service contributions (HSC):			
Poland	((64,000 – 8,774) x 7·75%)	(4,280)	1
Country Y	(1,500 x 4)	(6,000)	0·5
Foreign tax	50,004 x (208,000 – 12,986)/(208,000 + 64,000 – (445 + 12,986))	(37,713)	2
PIT payable in Poland		<u>2,011</u>	
			<u>10</u>

2 Luźna Sp. z o.o. – Value added tax (VAT) payable for January 2018

	Tax basis PLN	VAT PLN	
Polish sales	400,000	92,000	0·5
Additional sales not invoiced	45,000	10,350	0·5
Sales to USA	150,000	0	1
Import of spices from India	15,000	3,450	0·5
Output VAT		<u>105,800</u>	
Purchases of materials in Poland	240,000	55,200	1
Import of spices from India	15,000	3,450	0·5
'Empty invoice'	125,000	0	0·5
Input VAT		<u>58,650</u>	
VAT due (105,800 – 58,650)		47,150	0·5
VAT paid on return date (92,000 – 55,200 – (125,000 x 23%))		(8,050)	1
Difference of VAT not paid		<u>39,100</u>	
VAT payable on decision:			
VAT unpaid		39,100	0·5
VAT sanction:			
30% for unreported sales (10,350 x 30%)		3,105	1
100% for empty invoice (125,000 x 23%)		28,750	1
Penalty interest (39,100 x 8% x 150% (150% of standard, basic liability since sanction paid on time))		4,692	1·5
Total to be paid		<u>75,647</u>	
			<u>10</u>

3 Robert Bardziach – Personal income tax (PIT) liability and social security (ZUS) and health service (HSC) contributions for 2018

Name	Employee count	% increase	Details	
Robert Bardziach			Owner	0·5
Cezary Bardziach		✓	Adult family member in same household	0·5
Lukrecja Bardziach	1		Family member but lives separately	0·5
Juliusz Rower	1		Employee	0·5
Kalikst Bardziach		✓	Anciliary worker	0·5
	<u>2</u>			

Tax card tax calculation:

	PLN	
Employee count base rate	495	0·5
% increase for anciliaries (2 x 20%)		
Monthly rate (capped at next level)	<u>594</u>	1
Tax per card (594 x 11·5)	6,831	1·5
Less: health service contribution (HSC) (3,645 (HSC below) x 7·75/9)	<u>(3,139)</u>	1
PIT	<u>3,692</u>	
Social security contributions:		
ZUS (4,500 x 12 x 60% x (20·74% + 13·71% – 0·1% – 2·45%))	10,336	2
HSC (4,500 x 12 x 75% x 9%)	<u>3,645</u>	1·5
		<u>10</u>

4 (a) Capital gains include:

Income from the ownership of shares, comprising:

- dividends
- share redemption proceeds
- shareholder pay-off proceeds
- profits of a company allocated to its share capital
- merger and demerger related proceeds and payments
- interest on equity
- interest on profit participating loans.

Income from contributions in-kind to companies.

Income from trading of receivables.

Income from trading of shares in companies or other securities.

1 mark for each valid example up to a max of 5

(b) Papierowe Zyski Sp. z o.o. (PZ) – Corporate income tax and withholding tax payable for the year ended 31 December 2018

Corporate income tax (CIT)

	PLN	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	325,000,000	1
Depreciation	(85,000,000)	1
Interest deductible	<u>0</u>	1
	<u>240,000,000</u>	
CIT at 19%	45,600,000	0·5

Tutorial note: *The interest on the bank loan is not deductible as it finances the payment of dividends.*

Withholding tax (WHT) on dividends remitted to minority shareholders

WHT	250,000,000 x 19% x 45%	21,375,000	1·5
			<u>5</u>
			<u>10</u>

5 Śrubex Sp. z o.o. – Corporate income tax (CIT) liability for the year ended 31 December 2018

	PLN	PLN	
Sales revenue	80,000,000		0.5
Cost of sales	(55,000,000)		0.5
Depreciation (working 1)	(12,310,000)		0.5
Interest revenue	200,000		0.5
Financing costs (operating)			
$((60,000,000/90,000,000) \times 3,000,000 \text{ (working 2)})$	<u>(2,000,000)</u>		1
Operating income		<u>10,890,000</u>	
CIT at 19%		2,069,100	0.5
Sale of Nakrętex shares revenue	3,000,000		0.5
Cost of acquisition	(30,000,000)		0.5
Financing costs (capital gains)			
$((30,000,000/90,000,000) \times 3,000,000 \text{ (working 2)})$	<u>(1,000,000)</u>		1
Capital loss		<u>(28,000,000)</u>	
CIT at 19%		0	0.5
Total CIT liability		<u>2,069,100</u>	

Working 1 – Depreciation

		PLN	
Building	$(9,000,000 \times 2.5\% \times 1.2)$	270,000	1.5
Assembly line	$((50,000,000 - (50,000,000 \times 14\% \times 2 \times 6/12)) \times 14\% \times 2)$	12,040,000	2
		<u>12,310,000</u>	

Working 2 – Total interest

	PLN	
Total interest $((75,000,000 \times 5\%) + (15,000,000 \times 8\%))$	<u>4,950,000</u>	1
Tax earnings before interest, tax, depreciation and amortisation (EBITDA):		
Total revenues $(80,000,000 + 3,000,000)$	83,000,000	1
Total costs $(55,000,000 + 30,000,000)$	(85,000,000)	1
Less: interest revenue	(200,000)	0.5
Add: depreciation already excluded from cost of sale	0	1
Total	<u>(2,200,000)</u>	
Allowed interest cost $(30\% \text{ EBITDA} < 3 \text{ million PLN})$	<u>3,000,000</u>	1

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6 Leon – Personal income tax (PIT) liability for 2018

		PLN	
Revenues			
Work as bartender	$((2,400 \times 7) + (600 \times 5))$	19,800	1
Free meals	(300×12)	3,600	1
Service contract		24,000	0.5
Underwater welding set		9,000	0.5
Mileage allowance	$(1,000 - (800 \times 1))$	200	1
Hotel allowance		0	1
Social security contributions (ZUS):			
– Work	$((19,800 + 3,600) \times 13.71\%)$	(3,208)	1
– Service	$((24,000 + 9,000 + 200) \times 13.71\% \times 5/12)$	(1,897)	1.5
Costs:			
– Employment	(111.25×12)	(1,335)	1
– Service	$((24,000 + 9,000 + 200 - 1,897) \times 20\%)$	(6,261)	1.5
Taxable income		<u>43,899</u>	
PIT at 18%		7,902	0.5
Tax free amount		(556)	0.5
Health service contributions (HSC):			
– Service	$((24,000 + 9,000 + 200 - 1,897) \times 7.75\%)$	(2,426)	1
– Work	$((19,800 + 3,600 - 3,208) \times 7.75\%)$	(1,565)	1
PIT due		<u>3,355</u>	
Interest income taxed separately (withheld by bank) at 19%	$(8,000 \times 3\% \times 19\%)$	46	1
Insurance income exempt		0	1
			<u>15</u>