

Fundamentals Level – Skills Module

Taxation (Poland)

Thursday 9 June 2016



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

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 2–3.

Do NOT open this question 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.

Do NOT record any of your answers on the question paper.

This question paper must not be removed from the examination hall.

Paper F6 (POL)

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 2016

The following tax rates and allowances and ZUS rates for 2015 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 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 (*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 2015	19%
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 118,770

Average and minimum monthly salary

	PLN
Minimum salary	1,750
Average salary	4,000

Value added tax (VAT)

Standard rate	23%
Registration limit	PLN 150,000

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 Cienki Sp. z o.o. drew the following loans, all with an interest rate of 5% per annum, on 1 January 2015:

PLN 8,000,000 from a bank in the Cayman Islands (unrelated);

PLN 9,000,000 from a Polish bank (unrelated);

PLN 5,000,000 from Mama Sp. z o.o., the direct 100% shareholder of Cienki Sp. z o.o.; and

PLN 4,000,000 from Wujek Sp. z o.o., a company having a common (100%) top shareholder with Mama Sp. z o.o.

On 31 December 2015, Cienki Sp. z o.o. paid all the interest accrued on each of the loans to that date to each of the loan creditors. No further interest payments were made during the year 2015.

Cienki Sp. z o.o.'s accounting records showed the following figures for its equity accounts:

	1 January 2015 PLN	30 November 2015 PLN	31 December 2015 PLN
Registered share capital	500,000	500,000	500,000
Share premium (supplementary capital)	4,995,000	4,995,000	4,995,000
Prior year earnings	2,500,000	2,500,000	2,500,000
Year to date profit/(loss)	0	(400,000)	(600,000)

Notes:

- (1) Half the registered share capital was provided by the contribution of know-how.
- (2) PLN 2,000,000 of the share premium account came from an old shareholder non-subordinated loan, which was swapped for equity on 1 January 2015.
- (3) There are no other debts towards the shareholders.

Required:

Calculate the amount of non-deductible interest to be reported by Cienki Sp. z o.o. for 2015 under the new thin capitalisation regulation, using the standard method.

Note: Your answer should make reference to all of the items referred to in the question, indicating by the use of zero (0) any item which does not form part of any calculation.

(10 marks)

- 2 Starting from 1 January, Edyta intends to provide expert technical services to biochemistry companies. She will do most of the work herself, but will need to buy some specialist equipment. According to her business plan in year one she expects to earn PLN 100,000 of income from a turnover of PLN 130,000.

Required:

Identify the alternative methods of taxation available to Edyta in respect of her planned business activity. In each case, briefly explain how the tax base and rates will be calculated and how the tax will be paid.

Note: Calculations are not required.

(10 marks)

- 3 Stefan conducts an individual business activity manufacturing specialist paints for hobby airplane modellers, which he sells to customers in Poland and ships to customers in the USA.

In 2015, Stefan accounted for the following revenues and expenditures (all the figures include value added tax (VAT) at the standard rate, where applicable):

	PLN
Sales of goods in Poland	20,000
Sales of goods to the USA	75,000
Purchases of materials in Poland (including 16 sets of paints costing PLN 250 each given free to potential customers)	34,000
Salary to Mietek, a worker mixing the paints	20,000
Purchases of paint recipes from Pawel, a chemistry student not conducting a regular business	8,000

Stefan expects his 2016 sales, purchases and gifts to be at the same level as in 2015.

As his turnover is below the mandatory threshold, Stefan has not registered for VAT but has been told by a friend that it may be profitable for him to voluntarily register for VAT, in terms of his total profit (cash retained). However, he is concerned that since the hobby market is highly competitive, his customers, who are all natural persons not registered for VAT, would not accept any increase in the total price they pay for his sets of paint.

Required:

Prepare calculations to advise whether or not it would be profitable for Stefan to voluntarily register for value added tax (VAT).

Note: Your answer should make reference to all of the items referred to in the question, indicating by the use of zero (0) any item which does not form part of any calculation.

(10 marks)

4 Stara Sp. z o.o. manufactures and sells clothes in Poland and France.

In Poland, Stara Sp. z o.o. makes some of its sales directly to its customers and makes its other sales via its 100% held subsidiary company Młoda Sp. z o.o. In France, all sales are made via a branch of Stara Sp. z o.o. established in Paris.

The management accounts of the three business units show the following figures for 2015:

	Notes	Stara Sp. z o.o.		Młoda Sp. z o.o.
		Polish HQ	French branch	
		PLN	PLN	PLN
External transactions				
Sales of products to customers		4,200,000	2,600,000	2,400,000
Purchases of materials		(5,000,000)	–	–
Other costs		(400,000)	(300,000)	(250,000)
Internal transactions				
Sales of products (costs of sales in French branch and Młoda Sp. z o.o.)	1	2,500,000	(1,250,000)	(1,250,000)
Interest	2	400,000	(200,000)	(200,000)

Notes:

- (1) The internal sales and transfers of products from Stara Sp. z o.o. to its French branch and to Młoda Sp. z o.o. are made at 30% below the arm's length rate.
- (2) The interest charged on the financing provided by Stara Sp. z o.o. to its French branch and to Młoda Sp. z o.o. is 50% below the rate which would be the arm's length rate.
- (3) The double tax treaty between Poland and France provides for the use of the credit method for the elimination of double taxation. The French corporate tax payable by the branch in France in 2015 is equivalent to PLN 50,000.
- (4) Stara Sp. z o.o. possesses the formal transfer pricing documentation for all qualifying transactions, although it is aware that the level of pricing is not correct.

Required:

Calculate the Polish corporate income tax payable by Stara Sp. z o.o. to the Polish tax office for 2015.

(10 marks)

- 5** Pafnucy has been running an individual business activity, digging wells as a service, since 2010.

At the beginning of 2015, Pafnucy received an offer from a major well digging company, Bezdenny Sp. z o.o., to become employed by them as a supervisor on larger digging projects. Bezdenny Sp. z o.o. would still allow Pafnucy to continue his own business activity on smaller projects.

Starting from May 2015, Pafnucy became an employee of Bezdenny Sp. z o.o. with a gross salary of PLN 12,000 per month. He commutes to this work in another town.

Pafnucy continued his own business activity and in 2015 he earned revenue of PLN 55,000 and had operating expenses of PLN 6,000.

In June 2015, as his business became more limited, Pafnucy sold one of his well digging machines for PLN 25,000. The machine had been purchased on 1 January 2014 for PLN 40,000.

In October 2015, Pafnucy won a motorbike worth PLN 8,000 in a promotional event organised by a petroleum company, when he became the ten millionth customer to fuel a car when he was purchasing fuel for the car he uses in the business activity.

In December 2015, Pafnucy sold shares listed on the stock exchange making a profit of PLN 1,000.

Pafnucy is a single parent raising two children, aged eight and 12 years respectively.

Pafnucy has opted to have his business proceeds taxed under the flat rate revenue system and where applicable has elected for joint taxation with his children.

Required:

- (a) Calculate the social security contributions and health service contributions payable by Pafnucy in 2015 in relation to his own business activity.** (4 marks)

- (b) Calculate the personal income tax payable by Pafnucy in relation to each of his taxable activities in 2015.** (11 marks)

(15 marks)

6 Ekspansywna Sp. z o.o. (Ekspansywna), a manufacturing company established in 2005, had the following transactions in 2015.

- (1) On 1 January 2015, Ekspansywna drew a bank loan of PLN 30,000,000 with interest at 10% per annum payable at the end of each month. The loan was used to finance the expansion of the company's production capabilities (as detailed in points (2) to (4) below).

The whole amount of the loan was paid to Ekspansywna on 1 January and there were no capital repayments made during the year.

- (2) On 15 January 2015, Ekspansywna concluded the notary deed for the purchase of the land for a price of PLN 5,300,000. The costs of the notary public were PLN 20,000 and the legal fees in connection with the purchase transaction were PLN 140,000.

After acquisition of the land, the same legal firm represented Ekspansywna in a case against the neighbour who complained about the location of the factory in front of his suburban residence. The fees for this case (which Ekspansywna won) amounted to PLN 45,000.

- (3) Also on 15 January 2015, the construction of a factory building was started on the land acquired. The building works were completed by the construction company on 1 May 2015, but it took Ekspansywna until 25 May to gather the necessary documents and receive the use and occupancy administrative permit for the building. The factory building is used in normal conditions.

Ekspansywna paid PLN 4,400,000 for the services of the construction company and PLN 2,300,000 for materials. The cost of the inspections needed to receive the permits amounted to PLN 25,000 in total. The cost of the fire insurance paid post completion of the building was PLN 45,000.

In October 2015, a truck damaged the factory building doors and these needed to be replaced. The cost of the new doors was PLN 28,000.

- (4) On 1 May 2015, Ekspansywna purchased a computerised production line from China for the equivalent of PLN 14,000,000. Customs duty of PLN 700,000 was paid on the delivery of the production line to Poland. Between 1 May and when payment was made on 20 May, Ekspansywna realised a negative forex difference of PLN 12,000 on the cost of the production line.

The production line assembly and initial run was completed on 10 June 2015.

In the period from 10 June to 31 December 2015, Ekspansywna spent PLN 160,000 on training its employees to use the new production facility.

- (5) The taxable income of Ekspansywna amounted to PLN 6,200,000 for the year 2015, **BEFORE** taking into account the effect of any of the events described in points (1) to (4).

Required:

- (a) **Calculate the initial value of the non-current assets acquired by Ekspansywna Sp. z o.o. in 2015, together with the related 2015 tax depreciation, assuming that Ekspansywna Sp. z o.o. always claims the maximum available depreciation write offs.** (11 marks)

- (b) **Calculate the taxable income/loss of Ekspansywna Sp. z o.o. for 2015.** (4 marks)

(15 marks)

End of Question Paper