

Fundamentals Level – Skills Module

Taxation (Poland)

Thursday 7 December 2017



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 2–3.

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.

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 2017

The following tax rates and allowances and ZUS rates for 2016 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 (150%)	1,335 2,002	x ✓	x x
PLN 139·06 (150%)	1,668 2,502	x ✓	✓ ✓

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 2016	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 121,650

Average and minimum monthly salary

	PLN
Minimum salary	1,850
Average salary	4,100

Value added tax (VAT)

Standard rate	23%
Registration limit	PLN 150,000

Penalty interest rate	8% p.a.
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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** The Żaczek Student Cooperative (Żaczek) runs student accommodation, which is also used during the holiday periods as a standard hotel.

Student accommodation services are exempt for the purposes of value added tax (VAT) but hotel services are VATable, so Żaczek is VAT registered.

In March 2016 the following events took place:

- (1) The construction of a new student house was completed. The cost of the construction works charged to Żaczek by the construction company was PLN 10,000,000.
- (2) The local municipality granted Żaczek ownership of the land on which the student house is situated. The market value of the land is PLN 2,000,000.
- (3) Żaczek leased the equipment (furniture, etc) for the student house under a finance lease agreement. The value of the items leased is PLN 1,000,000. The amounts paid under the agreement in March 2016 were a prepayment of PLN 250,000 and the first instalment of PLN 30,000.
- (4) Żaczek purchased a heating generator for the student house at a cost of PLN 180,000.
- (5) Żaczek purchased 200 telephones for the rooms in the student house at a cost of PLN 100 each.

Invoices for all of the items (1) to (5) were received by Żaczek in May 2016 and all amounts are stated net of VAT.

The new student house was put into operation fully by Żaczek in 2016.

The VATable sales to total sales ratios of Żaczek are as follows:

31 December 2015	65%
31 March 2016	70%
31 December 2016	74%

Required:

- (a) State, with reasons, which asset(s) acquired by the Żaczek Student Cooperative will not be subject to a mandatory value added tax (VAT) mixed supplies correction at the year end and calculate the appropriate VAT year-end mixed supplies correction for the qualifying items. (8 marks)
- (b) Explain how the VAT treatment would differ if the student house/hotel equipment (item (3)) had been leased under an operational lease agreement, instead of a finance lease agreement. (2 marks)

(10 marks)

- 2 Jan Zaradny works as a sales manager for Hojna Sp. z o.o. (Hojna) under a labour contract. His monthly gross salary is PLN 14,000.

In addition, during August 2016 the following events took place:

- (1) Jan received a bonus for sales volume amounting to PLN 5,000.
- (2) During the company's summer picnic Jan received a food basket worth PLN 300. The event was financed from Hojna's social fund.
- (3) Hojna paid for Jan's son to attend a kindergarten. The cost of PLN 1,200 was financed from Hojna's social fund.
- (4) Jan completed some sales psychology training for which Hojna paid PLN 1,500.
- (5) Jan was reimbursed for a four-day business trip as follows:
 - A car mileage allowance of PLN 1,000. Jan used a company car, of which he had sole use for the trip;
 - Daily meal allowances of PLN 400; and
 - A hotel allowance for a four-night stay of PLN 1,200.

The only documents Jan presented to the payroll department for the trip were a mileage form and a daily allowance form.

Jan's accumulated taxable income for the year to 31 July 2016 was PLN 81,000.

Required:

Calculate the amount of the personal income tax (PIT) instalment to be remitted by Hojna Sp. z o.o. in respect of Jan Zaradny's August emoluments.

Note: You should list all of the items referred to in the question, indicating by the use of zero (0) any amount which is not taxable.

(10 marks)

- 3 While the most typical sources of personal income are from employment, personal services or individual business activity, the Personal Income Tax (PIT) Act also applies to a wide array of other types of revenues.

Required:

Explain the personal income tax (PIT) treatment of:

- (a) **Income from undeclared sources.** (3 marks)
- (b) **Income from the sale of immovable property (real estate) held either for private purposes or used for a business activity.** (4 marks)
- (c) **Income from prizes won in:**
 - the State lottery;
 - casinos; and
 - TV contests. (3 marks)

(10 marks)

- 4 Oczy Zielone Sp. z o.o. (Oczy Zielone) has been carrying on a business activity promoting and distributing disco-polo music for several years.

In February 2015, Oczy Zielone furnished its own music recording studio by purchasing:

- a mixer table (classified as general machinery) for PLN 480,000; and
- a high-end mainframe computer (cutting edge technology subject to fast obsolescence) for PLN 26,000.

In 2016 the following additional expenditure was incurred in relation to the studio:

- (1) In January 2016, a licence for a music recording computer program was purchased for PLN 800,000. Of this amount, PLN 350,000 was a fixed fee, and the remaining PLN 450,000 was related to the expected profits. This latter amount is to be adjusted up or down based on the actual figures in 18 months from the purchase.
- (2) In February 2016, the company paid PLN 34,000 for repairs to damage to the mixer table.
- (3) In March 2016, Oczy Zielone entered into a franchise agreement with an experienced music producer, Tarzan Boy SA, and paid PLN 60,000 for a music production know-how book and the first annual franchise fee of PLN 32,000.
- (4) Also in March 2016, a high fidelity microphone, being a peripheral part for the mainframe computer, was acquired for PLN 4,000.
- (5) In August 2016 three laptops were acquired for a total price of PLN 9,600.
- (6) Rent for the studio room was paid in the amount of PLN 3,000 per month.

All amounts for both 2015 and 2016 are stated net of value added tax (VAT).

Oczy Zielone always recognises fixed asset/intellectual property (IP) related expenses/depreciation as soon as is legally possible.

Required:

Calculate the amount of expenses which Oczy Zielone Sp. z o.o. should recognise directly as an expense for corporate income tax (CIT) in 2016 and the tax depreciation which will be allowed for 2016 in respect of the above expenditure.

(10 marks)

5 Janusz Buła is a car mechanic. On 1 January 2016 he started his own business activity comprising:

- the small-scale production and sale of ignition plugs for sports cars;
- the service and adjustment of ignition systems for customers' cars; and
- the translations of specialised manuals for car systems.

During 2016 Janusz earned the following revenues from these activities:

- PLN 24,000 from the sale of ignition plugs;
- PLN 14,000 from servicing customers' cars; and
- PLN 5,000 from translations.

In addition, in June 2016 he sold a car carriage he decided he did not need for his business for PLN 4,000.

During 2016 Janusz incurred the following costs:

- PLN 13,000 for ignition plug components; and
- PLN 5,200 for the purchase of the car carriage (as above) in February 2016 and which was entered into his fixed asset register in the same month.

Janusz only pays social security contributions (ZUS) he is obligated to pay.

Required:

Calculate the personal income tax (PIT) payable by Janusz Buła for 2016:

(a) According to the flat rate taxation of revenues system (*ryczałt ewidencjonowany*). (11 marks)

(b) According to the standard rules. (4 marks)

(15 marks)

6 The draft accounts of Uff-Ostatnia Sp. z o.o. (Uff-Ostatnia) for 2016 show a net income of PLN 1,300,000 before taking into account any of the following events:

- (1) A sales invoice for PLN 14,000 issued in October 2016 was corrected to a pre-payment invoice in December 2016 because the products will not be delivered to the customer until February 2017.
- (2) A liability of PLN 8,000 to one of the company's suppliers was settled in kind with Uff-Ostatnia's own products which had cost PLN 7,500 to produce.
- (3) A receipt of transfer for PLN 100,000 was received as a dividend from a Polish company, Wanda Sp. z o.o., in which Uff-Ostatnia holds a 45% shareholding.
- (4) A receipt of transfer for PLN 90,000 (net of withholding tax at the rate of 10%) was received as a dividend from a USA based company, Wendy Ltd, in which Uff-Ostatnia holds a 55% shareholding.
- (5) An amount of PLN 53,000 was received in respect of an outstanding sales receivable which had been written off in 2014 as probably unrecoverable.
- (6) An increase in the general provision for bad debts to be made in the amount of PLN 95,000.
- (7) A mileage allowance of PLN 2,000 paid to one of the company's employees who used his own car for business travel. The distance travelled by the employee was 1,000 kilometres.
- (8) A donation of PLN 150,000 was made to a local private school operating as a public benefit organisation.

The following additional information is available:

- (9) The company made a tax loss of PLN 800,000 in 2015.
- (10) The main ledger account 'CIT cost 2016' shows a figure of PLN 140,000.

Required:

- (a) Calculate the corporate income tax (CIT) payable to the tax office by Uff-Ostatnia Sp. z o.o. at the 2016 year end.**

Note: You should list all of the items referred to in the question, indicating by the use of zero (0) any which do not require adjustment. (11 marks)

- (b) Briefly explain the difference between a general tax ruling and an individual tax ruling, and state what action a taxpayer who does not agree with a given ruling can take.** (4 marks)

(15 marks)

End of Question Paper