

Fundamentals Level – Skills Module

# Taxation (Poland)

Thursday 8 June 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	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 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** Rafał, a German language expert, conducts a small individual business activity with the help of one employee. He performs online translations and provides ad hoc language advice via Skype. Rafał has a wide array of both individual and corporate clients in Poland, in other EU countries and in the US.

Rafał's sales records for June 2016 show gross sales for the month as follows:

	PLN
Sale of services locally to individuals in Poland	4,000
Sale of services locally to companies in Poland	2,500
Sales of services to individuals in other EU states	3,500
Sales of services to companies in other EU states	2,800
Sales of services to individuals in the US	2,400
Sales of services to companies in the US	6,000

In addition, in June 2016 Rafał had the following transactions:

- (i) He provided pro bono translation services for a local Polish–German friendship society, which he and his family belong to privately. The value of these services would be PLN 2,000 if rendered for remuneration.
- (ii) He sold his old car for PLN 12,000. The car had been bought in January 2014 from a private individual and was used by Rafał for private purposes only.

In June 2016 Rafał's business expenses included:

- (i) PLN 1,500 for the hosting of his web page and other IT services provided by a Dutch company.
- (ii) PLN 2,100 for the rent and electricity for his office.
- (iii) PLN 500 for a leasing instalment on an operating lease of computer equipment.
- (iv) PLN 700 for a leasing instalment on a new car. The financial lease agreement for this car, which is worth PLN 50,000, started in June 2016. Of the PLN 700 paid, PLN 550 constituted the interest component according to the lease schedule. The car is used for both business and private purposes.
- (v) PLN 300 for petrol for the leased car (as in (iv)).
- (vi) PLN 4,000 for the salary paid to his employee.

All amounts are inclusive of value added tax (VAT) where applicable.

**Required:**

**Calculate Rafał's total input and output value added tax (VAT) for the month of June 2016.**

**(10 marks)**

- 2 Janusz (aged 57) is a tailor in Warsaw, conducting a business activity with his three sons: Sebastian (aged 16), Mateusz (aged 21) and Mirosław (aged 26). All three sons also work as tailors in the business activity. Sebastian and Mateusz still live together with Janusz in the same household.

Janusz also employs Roman, a non-relative, who helps with sales and the cleaning of the workshop but does not do tailoring work. Roman (aged 62) is partially disabled.

Janusz settles his personal tax under the tax card system.

**Required:**

**Calculate the social security contributions (ZUS), health service contributions (HSC) and personal income tax (PIT) payable by Janusz for the year 2016.**

Note: The relevant tax card for tailoring services is as follows:

Number of employees	Rate for towns with more than 50,000 inhabitants	Anciliary worker increase
	PLN	
0	161	40%
1	343	30%
2	531	20%
3	634	15%
4	685	10%
5	853	10%

Tax decrease for disabled persons: 10% where applicable.

Tax decrease for taxpayers older than 60 years: 20% where applicable.

**(10 marks)**

- 3** Szybki Lopez Sp. z o.o. (SLSZ) renders courier services. During 2016, SLSZ entered into the following lease contracts for cars used in its business activity:
- (1) Agreement A: started on 1 March 2016, provides for 48 monthly instalments of PLN 800 for the lease of a car worth PLN 32,000 at the lease start. This agreement does **not** include:
- any provisions on a buy-out price;
  - a schedule indicating the ratio of interest to capital repayments in each instalment;
  - any indication as to whether the lessor or the lessee should perform depreciation write-offs for the car.
- (2) Agreement B: started on 1 March 2016, provides for 36 monthly instalments of PLN 900 for the lease of a car worth PLN 30,000 at the lease start. This agreement does **not** include:
- a schedule indicating the ratio of interest to capital repayments in each instalment;
- BUT does include:
- a buy-out price set at PLN 1; and
  - an indication that the lessee should perform depreciation write-offs for the car.
- (3) Agreement C: started on 1 July 2016, provides for 48 monthly instalments of PLN 700 for the lease of a car worth PLN 40,000 at the lease start. This agreement does **not** include:
- a schedule indicating the ratio of interest to capital repayments in each instalment;
- BUT does include:
- an indication that the lessee should perform depreciation write-offs for the car; and
  - a statement that if the parties decide so, the car may be purchased by the lessee at the end of the lease for a price which will be set by the parties at that time.

**Required:**

- (a) **Calculate the total tax costs which should be recognised by Szybki Lopez Sp. z o.o. (SLSZ) in relation to each of the above lease agreements for 2016. Clearly identify the nature of the lease (operational or financial) in each case.**

Note: Ignore value added tax (VAT).

(8 marks)

- (b) **Explain whether the buy-out price set at the nominal amount of PLN 1 in Agreement B will have any negative tax consequences for the lessor, if the market value of the car at the time of its sale is significantly higher than PLN 1.**

(2 marks)

**(10 marks)**

- 4 When preparing its year-end corporate income tax (CIT) reconciliation in March 2017, Zakręcona Sp. z o.o. (ZSZ) discovered the following:

(1) **Materials used for production**

These materials which cost PLN 130,000 (exclusive of value added tax (VAT)) were purchased locally from a wholesaler on 17 November 2016. Payment was made via bank transfer on 18 November 2016. The materials were dispatched for production based on a storage document on 20 November 2016. Both the CIT costs and input VAT on this purchase were claimed.

It has now been discovered that the VAT invoice for this purchase is missing and it cannot be recovered as the wholesaler has closed down its business in the meantime.

(2) **Payment of interest via a bank transfer**

On 30 November 2016, interest of PLN 25,000 on a loan drawn from an unrelated party resident in the Netherlands was paid via a bank transfer.

It has now been discovered that the certificate of tax residency of the creditor is missing. The creditor has not responded to requests to send a replacement certificate.

**Additional information:**

- (i) All ZSZ's sales and purchases are subject to VAT at the standard rate.
- (ii) ZSZ is in a VAT and CIT paying position.
- (iii) The withholding tax rate provided for in the double tax treaty between the Netherlands and Poland is 5%.

On 15 March 2017, ZSZ's accountant paid all relevant outstanding taxes and penalties required by law.

**Required:**

- (a) **Calculate the total amount paid by Zakręcona Sp. z o.o. (ZSZ) in relation to its tax arrears and penalties on 15 March 2017.** (5 marks)

- (b) **Explain the duties and responsibilities of:**

- (1) a taxpayer;
- (2) a tax remitter; and
- (3) a tax collector (*inkasent*)

**with respect to tax arrears.**

(5 marks)

**(10 marks)**

- 5** Jan Przedsiębiorczy is employed full-time with a large company as a marketing specialist. In addition, he owns a small company, Aktywna Sp. z o.o. (ASZ), which provides hand car washing services.

The following information relates to ASZ's 2016 operations:

- (1) Gross monthly sales total PLN 24,000.
- (2) Gross monthly expenditure on cleaning materials is PLN 4,000.
- (3) The four employees are each paid a gross salary of PLN 2,500 per month.
- (4) ASZ paid corporate income tax (CIT) of PLN 9,544 and Jan extracted PLN 40,690 of cash retained in ASZ as a dividend.

**Required:**

- (a) Calculate the annual amount of each tax and contribution to the State budget which should be paid or remitted by Aktywna Sp. z o.o. (ASZ) for 2016.**

Notes:

1. You are not required to include ASZ's corporate income tax (CIT).
2. You are not required to provide an overall summary or total. (11 marks)

- (b) Explain why it could be more tax efficient for Jan to operate the hand car washing activity as an individual business activity and calculate the potential saving. State whether the saving would be higher or lower if ASZ's profits were PLN 100,000 higher.** (4 marks)

**(15 marks)**

- 6 Czyściocha Sp. z o.o. (CSZ) produces high quality medical cleaning products. The sales of these products are value added tax (VAT) exempt.

During 2016 CSZ recorded the following transactions. All amounts are stated excluding VAT where applicable.

- (1) Sales proceeds earned were PLN 14.5 million, including PLN 800,000 of advance payments for products to be delivered in 2017.
- (2) CSZ used a local hospital premises to store its products free of charge. The normal rent for such a space would be PLN 1,000 per month.
- (3) In 2014 CZS's shareholder had granted it a loan of PLN 80,000, which in turn was on lent to Brudas Sp. z o.o. (BSZ), a non-related business partner of CSZ. BSZ went bankrupt in 2016 and it was decided to clear the loan accounts of all the parties in such a way that CSZ will waive (forgive) its receivable from BSZ and the shareholder will forgive its loan to CSZ.
- (4) In April 2016, CSZ expanded its activities by purchasing and putting into use a new production line (PL2). The machinery for PL2 was imported from Thailand.
  - The price paid to the Thai supplier was PLN 1,200,000.
  - Customs duty on the import of this type of machinery is 6% of the net value.
  - Installation services for the machinery cost PLN 17,000. The installation contract was agreed in April 2016 and the amount was paid to the installer on completion in August 2016.
  - Tests of the machinery's production capacity were run in September 2016 at a cost of PLN 10,000.
  - The import and installation of this type of machinery does not benefit from a VAT exemption.
- (5) CSZ also operated its original production line (PL1) throughout the whole of the year 2016. PL1 had been imported and installed for the same amounts and under the same conditions as PL2 (see above) in June 2015.
- (6) The rent for CSZ's factory premises is agreed between CSZ and the landlord for successive periods of seven months and invoiced by the landlord at the end of each term. In July 2016, CSZ was invoiced PLN 400,000 for rent for the seven-month period January to July 2016. The rent for the seven-month period commencing 1 August 2016 has also been agreed as PLN 400,000.
- (7) CSZ acquired locally needed services and materials (utilities, raw materials, etc), all of which are subject to VAT at the standard rate, for PLN 3,500,000 in 2016.
- (8) CSZ employed 50 employees throughout the year 2016 for a gross monthly salary of PLN 7,000 each.
- (9) In December 2016 CSZ made a donation of PLN 300,000 to a public benefit organisation.

CSZ operates in an area of high structural unemployment and always claims the fastest possible depreciation write-offs available.

**Required:**

**Calculate Czyściocha Sp. z o.o.'s (CSZ) corporate income tax (CIT) tax base for 2016.**

**Note:** You should list all of the items referred to in the question indicating by the use of zero (0) any item which does not give rise to taxable revenues or a tax deductible cost.

**(15 marks)**

**End of Question Paper**