

Fundamentals Level – Skills Module

# Taxation (Poland)

Thursday 7 June 2018



**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 2018

The following tax rates and allowances and ZUS rates for 2017 are to be used in answering the questions.

### Personal income tax (PIT)

	Tax amounts to
Up to PLN 85,528	18% of the base less tax free amount
PLN 85,528 and above	PLN 15,359 plus 32% on the excess over PLN 85,528 less tax free amount
<b>Tax free amount:</b>	
PLN 1–6,600	PLN 1,188
PLN 6,600–11,000	PLN 632 x (tax base – 6,600)/4,400
PLN 11,000–85,528	PLN 556
PLN 85,528–127,000	PLN 556 x (tax base – 85,528)/41,472
PLN 127,000 and above	PLN 0

### 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	19%
Small entrepreneurs rate	15%
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 127,890

**Average and minimum monthly salary**

	<b>PLN</b>
Minimum salary	2,000
Average salary	4,300

**Value added tax (VAT)**

Standard rate	23%
Registration limit	PLN 150,000

**Penalty interest**

8% p.a.

**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** Zdzisex Sp. z o.o. (Zdzisex) is a manufacturer of industrial ventilation equipment. Zdzisex has been profitable in all years except for 2015 and 2016 when the company incurred tax losses of PLN 200,000 and PLN 400,000 respectively.

During 2017 the following transactions took place:

- (1) Zdzisex recorded invoiced sales of products of PLN 2,500,000.
- (2) In addition to the invoiced sales (as in (1)), in December 2017, Zdzisex shipped products worth PLN 200,000 to customers. The sales invoices for these shipments were issued in January 2018.
- (3) Zdzisex received PLN 230,000 in prepayments for goods which were all shipped in January 2018, before the company's 2017 financial statements and corporate income tax (CIT) return were prepared.
- (4) From 1 March 2017, Zdzisex provided one of its customers with maintenance services priced as per their agreement at PLN 35,000 per monthly settlement period. However, Zdzisex did not issue any invoices until February 2018, when it issued an invoice totalling PLN 420,000 for the full year's provision of the service.
- (5) In 2014 after a failed court execution against the debtor, Zdzisex permanently wrote off a trade receivable of PLN 90,000. In 2017, Zdzisex managed to recover PLN 45,000 (inclusive of value added tax (VAT)) in respect of this trade receivable.
- (6) Zdzisex's warehouse records show that during 2017 it purchased materials for PLN 1,800,000, of which PLN 1,600,000 worth was used for production during 2017, and PLN 1,400,000 related to goods shipped to customers during 2017.
- (7) Zdzisex paid salaries totalling PLN 230,000 to its employees under standard labour contracts.
- (8) Zdzisex made a donation of PLN 200,000 to a local church.
- (9) Zdzisex operates from premises which are owned directly by its owner, Tomasz Cwany. Tomasz does not charge the company any rent for these premises because he sees no reason to pay money 'from one pocket to another'. The annual market value rent for the premises would be PLN 105,000.

All amounts are stated net of any applicable VAT, unless stated otherwise.

**Required:**

**Calculate Zdzisex Sp. z o.o.'s corporate income tax (CIT) liability for 2017.**

**Note:** You should list all of the items referred to in the question, indicating by the use of zero (0) any which do not have any impact on the tax computation.

**(10 marks)**

- 2 Mega Kops Sp. z o.o. (MKS), which produces dietary supplements, is registered for value added tax (VAT) only in Poland. MKS's two flagship products are 'Wielkie Bydle', a mass gainer, costing PLN 80 per package and 'Ognista Zagłada', a fat burner, costing PLN 50 per package.

During May 2017, MKS had the following transactions:

- (1) Sold products for PLN 750,000 in Poland.
- (2) Sold a batch of products wholesale to a German business partner, Grosse Hans GmbH (GHG), for PLN 200,000. GHG has confirmed receipt of the goods. Germany is an EU member state.
- (3) Sold products via the internet to individuals in a number of EU countries for PLN 40,000.
- (4) Engaged in the following marketing activities:
  - Sent free of charge to its registered online customers: 150 packages of Ognista Zagłada and 100 premium bundles containing one package each of Ognista Zagłada and Wielkie Bydle. Each customer received only one free of charge gift (i.e. either a package of Ognista Zagłada or a premium bundle).
  - Gave out free of charge 500 sample packages of Wielkie Bydle at a fitness show. The size of each sample package is one-tenth that of a standard package.
  - Provided customers with free of charge dietary advice. The total cost of rendering these services was estimated to be PLN 1,000.
- (5) Purchased materials used for supplement production in Poland for PLN 200,000 and additional materials from Slovakia (an EU member state) for PLN 300,000. All of these materials were used for production which was not sold until after 30 June 2017.
- (6) MKS's production and office premises are rented for PLN 60,000 per month. The rent is paid in arrears on the 15th day of the following month.
- (7) The monthly amounts paid for labour by MKS comprise gross salaries of PLN 95,000 paid under labour contracts to its manufacturing and office personnel and PLN 65,000 to its 12 sales representatives, all of whom run their own business activity.
- (8) Each of the 12 sales representatives (as in (7) above) has the use of a company car. These cars are leased by MKS under an operating lease contract for PLN 8,000 per month each. The leases are not registered with the tax office.

All amounts are stated net of any applicable VAT, all entities running a business activity are VAT registered and all purchase invoices were received in the month of purchase.

**Required:**

**Calculate the output value added tax (VAT) and input VAT relating to Mega Kops Sp. z o.o.'s May 2017 transactions.**

**Note:** You should list all of the items referred to in the question, indicating by the use of zero (0) any for which no VAT is due/credit is deductible.

**(10 marks)**

- 3** Kuzyn Sp. z o.o. (Kuzyn) is owned by two shareholders, Kacper S.A., which owns 80% of the shares and Baltazar Sp. z o.o., which owns the remaining 20%. Kacper S.A. is owned 100% by Albert Sp. z o.o.

Kuzyn is partly financed by three loans made to it in 2016 as follows:

- a secured loan of PLN 15,000,000 from an unrelated bank, with interest at 4% p.a.;
- an unsecured loan of PLN 8,000,000 from Baltazar Sp. z o.o., with interest at 5% p.a.; and
- an unsecured loan of PLN 12,000,000 from Albert Sp. z o.o., with interest at 5% p.a.

Interest on the bank loan is serviced monthly on the last day of the month. Interest on the loans from Baltazar Sp. z o.o. and Albert Sp. z o.o. is accrued throughout the year and paid on 31 December.

The financial statements of Kuzyn show the following information as at 31 December 2017:

	PLN
Registered share capital	3,000,000
Supplementary capital	4,000,000
Retained earnings from previous years	2,100,000
Year to date profit	500,000

**Additional information:**

- (1) The profit earned by Kuzyn in December 2017 amounted to PLN 50,000.
- (2) Albert Sp. z o.o. charges Kuzyn PLN 200,000 per month for management services. These amounts remained outstanding at 31 December 2017.
- (3) Kuzyn has granted an upstream interest-free loan to Kacper S.A. of PLN 2,300,000.
- (4) In 2015, part of Kuzyn's registered share capital was provided via the contribution of production know-how by Kacper S.A. This contribution was valued at PLN 750,000.
- (5) On 15 December 2016, PLN 3,000,000 of the loan from Kacper S.A. was converted into equity in such a manner that PLN 1,000,000 was allocated to the registered share capital and PLN 2,000,000 to the supplementary capital. The remaining part of the supplementary capital comprises the share premium on cash contributions.

**Required:**

**Calculate the amount of interest paid by Kuzyn Sp. z o.o. on 31 December 2017 which would be considered as non-deductible for corporate income tax (CIT) purposes.**

**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 List the FOUR different taxation systems available to an individual starting a business activity and explain the key characteristics of each system, including the method(s) of accounting which may be applied.**

**(10 marks)**

- 5** Lawirant Sp. z o.o. (Lawirant), a producer of armchairs, has been subject to a tax audit in respect of its corporate income tax (CIT) settlement for 2017. The following information is available based on the inspection protocol:

- (1) Lawirant reported a tax loss for 2017 of PLN 2,300,000.
- (2) Lawirant purchased advisory services from its owner's nephew for PLN 12,000, however, there is no evidence that any services were provided.
- (3) Lawirant sold 20,000 armchairs to a related company for PLN 500 each. The retail price in store for an armchair produced by Lawirant is PLN 1,200. The usual wholesale price is PLN 800 per armchair.
- (4) Lawirant paid interest of PLN 1,000,000 on a shareholder loan from its owner. This shareholder loan carried interest at 9% p.a., but as the loan was fully secured, similar financing could easily have been obtained at an interest rate of 3% p.a. The thin capitalisation requirements were fully met.
- (5) Lawirant carried out a very complicated corporate restructuring operation involving a demerger and the subsequent consent for a buyback of shares, in order to dispose of one of its workshops to a third party. As a result of these operations, Lawirant's owner received the proceeds from the disposal of the workshop of PLN 3,200,000 without any taxation being paid at the level of Lawirant. The tax book value of the workshop immediately prior to its sale was PLN 2,800,000.
- (6) In February 2017, Lawirant sold a design licence it owned and used for production to a newly created sister company at a loss of PLN 1,500,000. The loss was as a result of a fall in the valuation of the licence, which can be proven as real due to a change in market design trends. However, since Lawirant still needs the design licence for production purposes, it was immediately leased back from the sister company, starting from 1 March 2017, for PLN 100,000 per year.
- (7) By mistake Lawirant did not include PLN 250,000 of tax deductible costs related to production sold in 2017 in its CIT computation.
- (8) Lawirant applies accelerated reducing balance depreciation to its machinery (calculated according to the CIT rules). In 2017, the difference between the accelerated depreciation write off and one made according to the standard method of calculation is PLN 750,000.

**Required:**

- (a) State the circumstances in which the new general anti-avoidance regulation introduced into the Polish Tax Code in 2016 (article 119a-f) may be applied and briefly explain the two methods the tax authorities may use to counter actions which are deemed to constitute an abuse under these regulations.** (5 marks)
- (b) Calculate the total corporate income tax (CIT) liability of Lawirant Sp. z o.o. for 2017 based on the tax inspection findings, together with the penalty interest the company might expect to pay if the inspection decision is provided to Lawirant Sp. z o.o. on 1 December 2018 and the tax is paid immediately, on that date.**

Note: You should list all of the items referred to in the question, indicating by the use of zero (0) any for which no adjustment is required. (10 marks)

**(15 marks)**

- 6 Anastazja is a software engineer, who did not work during 2016. On 1 January 2017, Anastazja started working for Alpha Sp. z o.o. (Alpha) providing network administrative services. She performed these services for Alpha for the whole year under a personal services contract (*umowa zlecenia*), earning PLN 4,000 (gross) per month. Her remuneration is paid in arrears by Alpha between the second and 15th day of the following month. In her payment arrangements Anastazja opts out of sickness benefit insurance if allowed by law.

In April 2017, Anastazja performed some additional programming services for Alpha, also under a personal services contract, for PLN 6,000. This contract included the transfer of the copyright in the program code created by Anastazja.

From 1 March 2017, Anastazja also started to work for Beta Sp. z o.o. (Beta) as an IT manager, under a standard employment contract. She earns a salary of PLN 11,000 (gross) per month from Beta, which is transferred into her account on the fourth working day of the following month. Alpha and Beta are not related.

In addition to her salary, Anastazja received the following benefits from Beta:

- She was allowed to purchase a computer worth PLN 9,000 from Beta for a token price of PLN 0.01.
- A mileage allowance of PLN 1,000 for travelling 600 km on business trips in her own car.
- A reimbursement for a hotel invoice of PLN 700 related to a business trip.

Anastazja is a single mother of two daughters, aged five and three, and she elects for the joint method of taxation with her children.

**Required:**

**Calculate Anastazja's personal income tax (PIT) liability for 2017.**

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

**(15 marks)**

**End of Question Paper**