Suggested solution

Section A

1 A and C

The following are a tax authority (*Organ Skarbowy*):

- The Marshal of a voivodeship (province)
- A town mayor

A State Prosecutor in a fiscal criminal case and a Supreme Administrative Court Judge on a tax case are not authorised to assess or impact the tax obligations of a taxpayer and are therefore not considered to be a tax authority.

2 A

A VAT Group may be formed by a Polish individual registered for VAT, his friend's Polish company and a French individual running a VAT registered activity in Poland, cooperating in provision of VATable services in Poland.

B is incorrect because VAT grouping is not restricted only to Polish corporate entities.

C is incorrect because if the operations of the companies are independent the main condition of the organisational, financial and economical connection is not met.

D is incorrect because all entities forming the VAT group must run VATable activity in Poland.

3 D

(PLN 8,500 x 60% x (13.71% + 20.48%) x 12) = PLN 20,924

Stefan's social security contributions (ZUS) are paid based on the average monthly salary, rather than based on the actual income (for both the employee and employer part). He does not exclude the voluntary 2.45% contribution for sickness benefit (payment received if he cannot work due to illness).

4 PLN 6,989

((PLN 90,000 – (PLN 90,000 x 13.71%)) x 9%) = PLN 6,989

Health service contribution for employees is based on gross salary less employee social security contributions (ZUS) and levied at 9%.

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5 C

(((14 x 30) + 10)/365 x 12% x PLN 1,000,000 x 19%) = PLN 26,860

The interest is calculated from 20 February 2025 (the due date for the January 2025 corporate income tax advance) until 30 April 2026 (the date the underpaid tax was paid). This equates to 14 months and 10 days.

6 B

(((PLN 500,000 - (PLN 500,000 x 14% x 2 x 11/12)) x 14% x 2)) = PLN 104,067

Depreciation starts the month following the month in which the asset is put to use. Depreciation write-offs are performed with a coefficient of 2 on the basis decreased by previous years' depreciation write-offs.

7 PLN 8,466

((PLN 120,000 x (1 - 13.71%) – PLN 3,000) x 12% - PLN 3,600) = PLN 8,466

Personal income tax is calculated as gross salary less social security contributions (ZUS), less deemed costs, multiplied by 12%, less tax proportional to the tax-free amount.

8 A

(((PLN 5,000 x 12 x 5) – PLN 200,000 – PLN 10,000)/5 + PLN 200,000 x 14%) = PLN 46,000

In a financial lease, the lessee recognises as costs the depreciation write-offs and the financial costs which are the difference between the asset purchase price and total lease payments.

9 PLN 14,060,000

((PLN 80,000,000 - (PLN 3,000,000 – PLN 6,000,000) – (PLN 18,000,000/2)) x 19%) = PLN 14,060,000

The loss on the sale of shares, which is a capital transaction cannot be combined with operating income. Half of the loss brought forward from 2024 is available for utilisation against profits of 2025.

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10 D

((PLN 70,000 x 12%) – PLN 3,600 + (PLN 60,000 x 14%) + (PLN 10,000 x 19%)) = PLN 15,100

Employment income is always taxed at progressive rates and capital income is always taxed at 19% regardless of any election made in respect of a business activity. Social security contributions (ZUS) are only paid on employment so it is included already in the income amount. The flat rate for engineering services is 14%.

11 A

27 February 2025

The tax point arises on the earlier of delivery of goods, issuance of an invoice or receipt of payment.

12 C and D

Bezpieczna Sp. z o.o. gets the following two benefits by using split-payments for its bank transfers:

- If the deduction of VAT on purchases is questioned, VAT sanctions do not apply; and
- If the deduction of VAT on purchases is questioned, increased penalty interest does not apply.

13 A and C

The following two economic events trigger an obligation to charge output VAT in Poland:

- The import of a car by a Polish private person (not registered for VAT) for private purposes; and
- A donation of one ton of coal (worth around PLN 4,000) from a Polish mining company to a Polish private person

Private donations are not subject to VAT. Exports do not trigger VAT obligations if properly documented.

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14 B

The flat rate taxation of income is likely to be most effective for Konrad. Considering that the business is based on high turnover the costs of operations will be high, hence the 19% taxation of income should be most efficient.

The progressive method will not be effective, as potential reliefs (joint taxation election and child tax relief) will not outweigh the tax burden caused by the income falling into the second threshold of progressive taxation.

Considering the low margin of 2% the flat rate taxation of trade revenues at the rate of 3% will not be effective.

The Tax Card is not available for new businesses.

15 C, D and F

The following can create a tax obligation for a taxpayer:

- Social Securities Act;
- A tax decision imposing additional VAT sanction; and
- An individual not registered for VAT exceeding turnover of PLN 200,000.

Double Tax Treaties do not create tax obligations, they only decide which jurisdiction has the right to apply its tax rules.

A decree cannot create tax obligations by itself (it can only regulate more precisely the obligations created by Tax Acts).

General tax rulings are only binding for tax authorities and taxpayers may act against them.

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Section B

16

Zofia

(a) Personal income tax (PIT), social security contributions (ZUS) and health service contributions (HSC) for 2025

	PLN
Trading income ((PLN 21,000 – PLN 7,000) x 12)	168,000
ZUS (Working)	(4,913)
HSC basis and income	**163,087**
Tax:	
on PLN 120,000	10,800
at 32% on excess (PLN 43,087 x 32%)	13,788
	24,588
HSC (PLN 163,087 x 9%)	14,678
HSC deductible against tax	0
Working – ZUS contribution	
Minimum monthly salary	4,300
Annual (PLN 4,300 x 12)	51,600
ZUS base (PLN 51,600 x 30%)	15,480
ZUS contribution (PLN 15,480 x (20.48% + 13.71% - 2.45%)	4,913

(b) Election for other beneficial methods

Considering that the progressive method pushes Zofia into the 32% taxation threshold, the flat rate taxation of income at 19% could be considered as an alternative, however considering only a small fraction of income falls into the higher tax threshold, the effective tax rate would end up higher, i.e., PLN163,087 x 19% = PLN 30,987 of tax).

The flat rate taxation of revenues method could however be more effective since apparently Zofia's margin is high, while the flat rate of tax on trading revenues is only 3%. In such case the tax would amount to PLN 7,412 calculated as (PLN 21,000 x 12 - PLN4,913) x 3%.

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17

Zmienna Sp. z o.o. (Zmienna)

(a) Loss available for utilisation in 2026

Year	Taxable income/(loss) PLN	Loss utilised PLN
2020	(7,000,000)	Against 2021: 5,000,000 Against 2023: 2,000,000
2021	10,000,000	5,000,000 from 2020
2022	(1,000,000)	Against 2023: 1,000,000
2023	5,000,000	2,000,000 from 2020, 1,000,000 from 2022
2024	(12,000,000)	0
2025	(14,000,000)	0
Total loss unutilised at 31 December 2025 (12,000,000 (2024) + 14,000,000 (2025)	26,000,000	
Loss to be utilised in 2026 (12,000,000 x 50% (2024) + 14,000,000 x 50% (2025)	13,000,000	

Tutorial notes:

1. *Tax losses arising after 31 December 2018 can be carried forward for five consecutive tax years, with the loss in the first available profit-making year restricted to the higher of PLN 5 million or 50% of the loss. Losses offset in any subsequent years within the five-year period are restricted to a maximum of 50% of the loss.*

2. *The 2020 loss of PLN 7 million can therefore be carried forward and set off against profits in 2021 and 2023. A maximum of PLN 5 million may be set off against the profits of the year 2021. PLN 2 million of the loss can be offset against the profits of the year 2023. There is no restriction for this year as PLN 2 million is less than PLN 3.5 million (PLN 7 million x 50%). Together with the loss of PLN 1 million from 2022 (also allowed to be offset in in full as it is below PLN 5 million) the profits of 2023 are reduced to PLN 2 million.*

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3. *The losses of 2024 and 2025 are all available to set-off against the profits of 2026, subject to relevant restrictions. Of the 2024 loss, a maximum of PLN 6 million (PLN 12 million x 50%) can be offset against 2026 profits. Of the 2025 loss, a maximum of PLN 7 million (PLN 14 million x 50%) can be offset against 2026 profits.*

(b) Simplified vs standard method of CIT advance payments

RNW has PLN 18 million of loss brought forward to 2026, and the advance payments would be based on the 2023 result of PLN 2 million.

Accordingly, if the expected profits in 2026 do not exceed PLN 20 million, the standard method of advance payments may be preferred. This is because if profits are under PLN 18 million, no advances would be paid, and if profits are within PLN 20 million the advances would only be payable in the later part of the year.

However, if profits significantly exceed PLN 20 million, the simplified method should be considered as it provides for a cash flow advantage. In the case of the simplified method, the tax on the excess amount would need to be settled only at the yearly CIT return date, i.e., on 31 March of the following year.

Whereas, if profits are materially in excess of PLN 20 million and the standard method is used, the tax advance payments would need to be made throughout the year (the bigger the excess the earlier during the year).

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Gotowkowa Sp. z o.o. - Taxable income for 2025

	PLN
Cash received	45,000,000
Advance payments for goods	(3,000,000)
Rent of warehouse (12 x PLN 50,000)	600,000
Interest accrued	0
Dividend from Polish company	(2,000,000)
Value added tax (VAT) on sales (PLN 40,000,000 x 23/123)	(7,479,675)
Cash spent on goods and services	(16,000,000)
Cash spent on labour salaries	(6,000,000)
VAT on goods and services (PLN 16,000,000 x 23/123)	2,991,870
Invoices related to 2025 unpaid at year end (PLN 2,700,000 x 100/123)	(2,195,122)
Salaries paid in 2026	(420,000)
Social security contributions (ZUS) paid in 2026 (PLN 420,000 x 20.48%)	(86,016)
Taxable income	**11,411,057**

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19

Ostrożna - Value added tax (VAT) for March 2025 and the annual VAT correction

	Net amount	VAT
	PLN	PLN
Sales of goods	900,000	207,000
Export of goods	600,000	0
Sales of insurance services	200,000	0
Sales of maintenance services	160,000	36,800
Intra-community acquisition (ICA) of goods (reverse charge)	90,000	20,700
Output VAT		**264,500**
ICA of goods (reverse deduction)	90,000	(20,700)
Office computers purchase (partial deduction – 80%)	150,000	(27,600)
Office rent (partial deduction – 80%)	45,000	(8,280)
Salaries	350,000	0
Business to business (B2B) contractors - no deduction as employees	65,000	0
Input VAT		**(56,580)**
Year-end correction		
Computers purchased (full input VAT)	150,000	34,500
VAT deducted on office computers purchase		(27,600)
VATable sales ratio calculated based on actual 2025 data	85%	
VAT deductible based on 2025 data (PLN 34,500 x 85%)		29,325
Difference to be refunded (PLN 29,325 – PLN 27,600)		1,725

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20

Wielopoziomowa Sp. z o.o. (Wielopoziomowa)

(a) Corporate income tax (CIT) payable/refundable for 2025

	PLN
Sales of goods	75,000,000
Advances received	(5,400,000)
Dividends from Sol Ltd (PLN 6,000,000/95%)	6,315,789
Cost of operations	(47,000,000)
Depreciation adjustment re machine and office equipment (W1)	(1,110,000)
Trademark amortisation adjustment (W2)	(6,800,000)
Value added tax (VAT) on waived receivables (PLN 7,000,000 x 23/123)	1,308,943
Taxable income	**22,314,732**
Loss brought forward (PLN 17,000,000 x 50%)	(8,500,000)
Total tax basis	**13,814,732**
CIT due @19%	2,624,799
CIT advances paid (include Los Asparagos withholding tax) (PLN 6,000,000 – PLN 350,000)	(5,650,000)
CIT payable/refundable	**(3,025,201)**

Workings:

1. Depreciation adjustment re machine and office equipment

	PLN
Machine - Fair market value adjustment (PLN 4,500,000 x 14% x 2)	(1,260,000)
Office equipment - Depreciation rate adjustment (PLN 3,000,000 x (25% - 20%))	150,000
Total adjustment	**(1,110,000)**

2. Trademark amortisation adjustment

	PLN
Trademark amortisation (PLN 34,000,000 x 20%)	(6,800,000)

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(b)

If the ownership of Luna Ltd was 80% (i.e., exceeding 75%) it would be entitled to the underlying tax credit, allowing Wielopoziomwa to deduct from Polish CIT the amount of foreign CIT equivalent paid by Luna Ltd on the income distributed as a dividend.

The total credit (withholding and underlying combined) cannot exceed the amount of the Polish CIT payable on this foreign sourced income.

Underlying tax credit is only available to income sourced from non-EU foreign entities.

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21

Henryka – Personal income tax (PIT) and health service contribution (HSC) for 2025

	PLN
Salary (12 x (PLN 18,000 + PLN 5,000))	276,000
2024 bonus	65,000
Laptop purchased (PLN 3,000 – PLN 200)	2,800
Access to subscriptions - connected with work	0
Concert tickets (social fund) (PLN 2,300 – PLN 1,000)	1,300
Total emoluments	**345,100**
ZUS up to PLN 260,190 @ 13.71%	(35,672)
@ 2.45% on excess (PLN 84,910 x 2.45%)	(2,080)
HSC basis	**307,348**
Employee deemed costs	(4,500)
Cost of elegant dress	0
Donation (PLN 6,000 x 6%)	(360)
Taxable basis	**302,488**
/2	151,244
Tax:	
-PLN 10,800 on PLN 120,000	10,800
-32% on excess (PLN 31,244 x 32%)	9,998
Tax	**20,798**
x2	41,596
Children deduction (PLN 1,112 x 2)	(2,224)
Tax due	**39,372**
HSC due (PLN 307,348 x 9%)	27,661
PIT on interest on deposit (PLN 5,000 x 19%)	950

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Mark scheme

Section A

Questions 1 – 15 (all questions worth two marks)

Maximum 30 marks

Section B

Question 16

a	Personal income tax (PIT), social security contributions (ZUS) and health service contributions (HSC) 2025: - Trading income - ZUS - Tax - HSC - ZUS	 1 0.5 1.5 1.5 2.5
Maximum 7 marks		
b	Flat rate taxation of income Flat rat taxation of revenues Calculations	1 1 1
Maximum 3 marks		
Total 10 marks		

Question 17

a	Loss available for utilisation in 2026: - 2020 - 2021 - 2022 - 2023 - Total loss unutilised at 31 December 2025 - Loss to be utilised in 2026	 1 1 1 1 1 1
Maximum 6 marks		
b	- Advance payments based on 2023 - Standard method may be preferable - Simplified method gives cash flow advantage - Tax advance payments made throughout year if profits exceed PLN 20 million	1 1 1 1
Maximum 4 marks		
Total 10 marks		

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Question 18

	Taxable income for 2025:	
	- Cash received	0.5
	- Advance payment for goods	0.5
	- Rent of warehouse	1
	- Interest accrued	1
	- Dividend from Polish company	1
	- Value added tax on sales	1.5
	- Cash spent on goods and services	0.5
	- Cash spent on labour salaries	0.5
	- VAT on goods and services	1
	- Invoices related to 2025 unpaid at year end	1
	- Salaries paid in 2026	0.5
	- Social security contributions paid in 2026	1
Maximum 10 marks		
Total 10 marks		

Question 19

	VAT for March 2025 and annual VAT correction:	
	Output VAT	
	- Sales of goods	0.5
	- Export of goods	1
	- Sales of insurance services	1
	- Sales of maintenance services	1
	- Intra-community acquisition (ICA) (reverse charge)	0.5
	Input VAT	
	- ICA (reverse deduction)	0.5
	- Office computers	1
	- Office rent	1
	- Salaries	1
	- Business to business contractors	1
	Year-end correction	1.5
Maximum 10 marks		
Total 10 marks		

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Question 20

a	Corporate income tax (CIT) payable/refundable for 2025:	
	- Sales of goods	0.5
	- Advances received	0.5
	- Dividends from Sol Ltd	1
	- Cost of operations	0.5
	- Depreciation adjustment (W1)	0.5
	- Trademark amortisation (W2)	0.5
	- Value added tax (VAT) on waived receivables	1
	- Loss brought forward	1
	- CIT due	0.5
	- CIT advances paid	1.5
	W1 Depreciation adjustment:	
	- Machine	1
	- Office equipment	1.5
	W2 Trademark amortisation adjustment	
	- Trademark amortisation	1
Maximum 11 marks		
b	Foreign tax credit:	
	- Entitled to underlying tax credit if ownership >75%	1
	- Deduct foreign CIT equivalent from Polish CIT	1
	- Total credit cannot exceed Polish CIT	1
	- Only available to income sourced from non-EU foreign entities	1
Maximum 4 marks		
Total 15 marks		

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Question 21

	Personal income tax (PIT) and health service contribution (HSC) for 2025:	
	- Salary	1
	- Bonus 2024	1
	- Laptop	1
	- Subscriptions	1
	- Concert tickets	1
	- ZUS	1.5
	- Employee deemed costs	1
	- Dress	0.5
	- Donation	1
	- PIT	3
	- Children deduction	1
	- HSC	1
	- PIT on interest on deposit	1
Maximum 15 marks		
Total 15 marks		

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