

Applied Skills

# Taxation – Poland (TX – POL)

Tuesday 3 December 2019



**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 2–4.

**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.**

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TX

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 2019

The following tax rates and allowances and ZUS rates for 2018 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 1–8,000	PLN 1,440
PLN 8,000–13,000	PLN 1,440 – 884 x (tax base – 8,000)/5,000
PLN 13,000–85,528	PLN 556
PLN 85,528–127,000	PLN 556 – 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 (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
Daily meal allowance for work/travel abroad	€42

### 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%
Interest deduction limit	30% tax EBITDA or 3,000,000
Selected intangible services deduction limit	5% tax EBITDA or 3,000,000

### TP Thresholds

	Company	Transaction
1	> EUR 2,000,000	EUR 50,000 plus EUR 5,000 per EUR 1 million in excess of threshold
2	> EUR 10,000,000	N/A
3	> EUR 20,000,000	EUR 140,000, plus EUR 45,000 per EUR 10 million in excess of threshold
4	> EUR 100,000,000	EUR 500,000
5	> EUR 750,000,000	N/A

### 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%	–
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	20.74%	13.71%

Upper earnings limit      PLN 133,290

**Average and minimum monthly salary**

	PLN
Minimum salary	2,100
Average salary	4,500

**Value added tax (VAT)**

Standard rate	23%
Registration limit	PLN 200,000

**Penalty interest**

8% p.a.

**Exchange rate**

EUR 1:PLN 4

**Section A – ALL 15 questions are compulsory and MUST be attempted**

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet.  
Each question is worth 2 marks.

**1 Which of the following taxes require the filing of a monthly tax return?**

- (1) Corporate income tax (CIT)
- (2) Personal income tax (PIT)
- (3) Value added tax (VAT)
- (4) Social security contributions (ZUS)

- A** 1, 2, 3 and 4
- B** 2 and 3 only
- C** 1, 2 and 4 only
- D** 3 only

**2 Czarny SA is a VAT registered trader. In its 2018 financial accounts, the following expenses are charged in the statement of profit or loss:**

- (1) A loan to a business partner written off after the court collector officially confirms that the debt is not recoverable
- (2) A trade receivable debt (net of VAT) written off after the customer declared insolvency proceedings had commenced
- (3) A trade receivable debt (VAT inclusive) written off after the court collector officially confirms that the debt is not recoverable
- (4) A debt of PLN 50 in respect of an invoice for a VAT exempt service, written off because the taxpayer company estimates that the cost of collecting the debt will be higher than the recoverable amount

**Which of these expenses in the financial accounts are fully tax allowable for corporate income tax?**

- A** 1, 2, 3 and 4
- B** 2, 3 and 4 only
- C** 2 and 4 only
- D** 1 and 3 only

**3 Which of the following events will result in the actual tax point date falling before the basic tax point date?**

- (1) The receipt of an advance payment
- (2) The issue of a VAT invoice to a customer before the delivery of the goods
- (3) The issue of a 'pro-forma' invoice for an advance payment to a customer

- A** 1, 2 and 3
- B** 1 and 2 only
- C** 1 and 3 only
- D** 2 and 3 only

**4 Roman was employed under a part-time labour agreement throughout 2018. His gross salary net of social security contribution (ZUS) for the year 2018 was PLN 13,500.**

**What is Roman's personal income tax liability for 2018?**

- A** PLN 1,486
- B** PLN 2,430
- C** PLN 1,452
- D** PLN 1,874

5 Zależna Sp. z o.o. made the following payments:

- (1) PLN 200,000 dividends to its 100% parent company Median GmbH (M), and
- (2) PLN 100,000 interest on loan to Dominant GmbH (D) (the holding company which owns 100% of M GmbH).  
These shareholdings have been in place for ten years

M GmbH and D GmbH are resident in another EU country. The double taxation treaty between Poland and the other country provides for standard decreased rates of withholding tax (WHT) on interest and dividends of 5% and 15% respectively.

**What is the amount of withholding tax which can be deducted by Zależna Sp. z o.o.?**

**Note:** Assume all relevant certificates of tax residency and other supporting documentation are available.

- A PLN 43,000
- B PLN 0
- C PLN 35,000
- D PLN 5,000

6 A company made a total of PLN 24,000 net purchases which were subject to the standard rate of VAT. The input VAT is indirectly attributable to different types of sales as follows:

VAT exclusive amounts	
PLN	
5,000	of sales taxed at 23%
3,000	of sales taxed at 8%
9,000	of exported goods
8,000	of VAT exempt sales
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25,000	
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**What is the total amount of input VAT which the company may claim on these purchases?**

- A PLN 5,520
- B PLN 1,104
- C PLN 1,766
- D PLN 3,754

7 **Which of the following situations describe an INDIRECT tax?**

- (1) Personal income tax on employment income remitted to the tax office by an employer on behalf of an employee
- (2) Corporate income tax on trading income paid to the tax office by a company
- (3) Value added tax paid to the tax office by a company
- (4) Withholding tax deducted from interest paid to a foreign supplier, and then remitted to the tax office by the payer

- A 1, 2 and 4
- B 3 only
- C 1 and 2 only
- D 3 and 4

- 8 In June 2018, Leon sold an apartment for PLN 570,000. He had inherited the apartment on his father's death in April 2017, when the value of the apartment was PLN 500,000.

**What is the amount of personal income tax payable by Leon in relation to the sale?**

- A PLN 12,044
- B PLN 170,390
- C PLN 108,300
- D PLN 0

- 9 **Which of the following special concessions are available only to small value added tax (VAT) traders, but are not available for standard VAT registered traders?**

- (1) Reporting of VAT on a quarterly basis
- (2) Treatment of sales of up to EUR 1.2 million per year as VAT exempt
- (3) Payment of output VAT only upon receiving payment from the buyer

- A 1
- B 2
- C 3
- D 1, 2 and 3

- 10 On 1 February 2018, a company purchased a machine for PLN 200,000 and put to it to use ten days later. In addition to the purchase price, the company spent PLN 10,000 on transport and installation of the machinery. A further PLN 15,000 was spent on knocking down internal walls within the factory where the machine is located, so that production from elsewhere in the factory can reach the new machinery more efficiently. The company applies the reducing balance tax depreciation method to all qualifying assets.

**What is the tax deductible depreciation charge on the machine for 2018?**

- A PLN 22,050
- B PLN 58,800
- C PLN 50,400
- D PLN 49,000

- 11 A Polish tax resident company paid the following amounts to its 14.5% shareholder who is resident in the Cayman Islands. The Cayman Islands company supplies both products and advisory services to the Polish company.

- (i) a dividend of PLN 60,000, and
- (ii) a payment of PLN 80,000 for advisory services, and
- (iii) a payment of PLN 400,000 for products purchased.

There is no double tax treaty between the Cayman Islands and Poland. Both the advisory services and the goods were supplied on an arm's length pricing basis, and both were duly used in the Polish company's business to generate taxable revenues.

**What is the total amount of withholding tax which the company should deduct from these payments?**

- A PLN 27,400
- B PLN 11,400
- C PLN 0
- D PLN 102,600

**12** Aleksander runs a small individual business activity with turnover of PLN 300,000 per year and settles his personal tax under the flat rate revenue taxation system.

**Which of the following records must Aleksander keep?**

- (1) Book of revenues and disposals (*księga przychodów i rozchodów*)
- (2) Book of revenues
- (3) VAT register
- (4) Non-current assets register

- A** 1, 3 and 4
- B** 2, 3 and 4
- C** 2 and 4 only
- D** 1 and 3 only

**13** Which of the following receipts are a basis for social security (ZUS) – assuming the person receiving it has no other obligation to make social security payments?

- (1) Income from the sale of an inherited apartment within five years after obtaining ownership
- (2) Income from the sale on an e-commerce platform of a bicycle which was an unwanted gift received within the last three months
- (3) Income from sales of 24 bicycles on an e-commerce platform done within a registered individual business activity
- (4) Amount of revenue from services conducted under a personal service agreement (*umowa zlecenia*)

- A** 4 only
- B** 3 only
- C** 1 and 2
- D** 3 and 4

**14** John Brown, a citizen and a registered taxpayer of Barbados, has business activities in Poland and several other countries, but his centre of life interest is in Poland. Barbados does not have a double taxation treaty with Poland.

John owns a house in Poland, has registered his business activity in Poland, and his family lives in Poland. He also has a vacation home in Barbados which he does not let out. John spends 100 days per year maximum in Poland.

John has a bank account in which he keeps the majority of his funds, and this account is situated in another non-treaty country.

During 2018, John earned the following income:

- (1) Income from sales in foreign countries (business activity)
- (2) Income from interest on foreign bank account deposit
- (3) Income from insurance payment for damages to Barbados home

**Which sources of income will be subject to tax in Poland?**

- A** 1, 2 and 3
- B** 1 and 2 only
- C** 3 only
- D** 1 only



**15** During 2018, Jan earned a gross salary of PLN 150,000.

**What is the total amount of social security contributions deducted from his salary for 2018?**

- A** PLN 20,565
- B** PLN 3,675
- C** PLN 18,683
- D** PLN 16,300

**(30 marks)**

**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** Spaceks Sp. z o.o. (Spaceks), a manufacturing company, is part of a group of related companies.

During 2018, Spaceks recorded sales revenues of PLN 395,000,000 and cost of sales of PLN 250,000,000. The cost of sales includes materials, salaries, depreciation and services. These services include production management advisory services acquired from an unrelated third party provider for PLN 25,000,000, and services of a similar nature bought from a related company for PLN 9,000,000.

In its activity Spaceks uses the following non-current assets:

A factory building constructed in January 2014. The initial cost of the building was PLN 25,000,000. Its net book value in the company's accounts on 1 January 2018 was PLN 22,500,000. The factory is built on land which was purchased for PLN 5,000,000.

The initial value of machinery purchased and installed in the factory in January 2014 was PLN 130,000,000. On 1 January 2018, the net book value of the machinery was PLN 85,000,000.

The economic useful life of the factory and machinery is estimated to be 20 years. Spaceks uses the default depreciation method for tax purposes. The depreciation (calculated according to tax rules) is included in the cost of sales.

In addition to the sales revenue, Spaceks received interest of PLN 6,000,000 on a loan granted to a related company.

During 2018, Spaceks incurred interest and associated accrued service fees of PLN 75,000,000 relating to money borrowed to finance the business. Of this amount, the following amounts were actually paid in 2018:

	<b>PLN</b>
Interest and fees on a third party bank loan	50,000,000
Interest on related party loan	10,000,000
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	60,000,000

All related party transactions were at arm's length prices, and all amounts are stated net of VAT.

**Required:**

**Calculate Spaceks Sp. z o.o.'s corporate income tax payable for 2018.**

**Note:** You should list all of the items referred to in the question indicating by the use of zero (0) any items for which no entry is necessary.

**(10 marks)**

- 2** Domowa Sp. z o.o. (Domowa) and Exportowa Sp. z o.o. (Exportowa) are unconnected companies. Both commenced trading on 1 January 2018 and immediately registered as VAT taxpayers in Poland.

In January 2018, Domowa purchased wholesale goods in Poland for PLN 9,500,000 (net of VAT) and resold the goods to corporate customers in Poland with a 20% mark-up.

Also in January 2018, Exportowa purchased exactly the same type and amount of goods for the same amount and exported the goods to corporate customers with a 20% mark-up.

Both companies started their business activity with no cash. They used a financial intermediary company to fund the cost of purchases and paid for these goods on the last day of the month following the month of purchase.

All customers pay for their goods on the last day of each month following the sale.

Assume that purchases and sales in later months continue to be made in exactly the same way as in the first month of trading.

Where applicable, all purchases and sales are subject to standard VAT.

Both companies file VAT returns on the due date.

**Required:**

- (a) In relation to the VAT payment cycle, calculate the financing needs of Domowa Sp. z o.o. and Exportowa Sp. z o.o., state the amount of financing required and how long each company will require the financing. (8 marks)
- (b) Explain the implications for financing if, alternatively, Exportowa Sp. z o.o. makes domestic sales which are exempt from VAT instead of export sales. (2 marks)

**(10 marks)**

- 3** Lucyna has a full-time employment contract and is paid a gross salary of PLN 11,000 per month. In 2018, she also received PLN 800 for the travel costs of a three-day business trip to London, England.

Her husband, Stefan, is not employed. Occasionally he accepts work as a musician at weddings under service agreements (*umowa zlecenia*), and in 2018 he had taxable revenue from this source of PLN 20,000.

Lucyna and Stefan have two children, all under the age of 18, and they receive the '500+' social benefit (i.e. PLN 1,000 per month).

Lucyna and Stefan opt for annual joint personal income tax settlement.

**Required:**

**Calculate the personal income tax payable by Lucyna and Stefan for 2018.**

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

**(10 marks)**

- 4 Długoterminowa Sp. z o.o. started its business activity on 1 August 2018. The company's business plan shows the following profits and (losses) are forecast for the next few years:

	Forecast profit/(loss) in the calendar year PLN
2018	(35,000,000)
2019	(10,000,000)
2020	(5,000,000)
2021	0
2022	10,000,000
2023	50,000,000
2024	60,000,000

Profits or losses will arise evenly over each calendar year.

**Required:**

- (a) Explain, with supporting calculations, how Długoterminowa Sp. z o.o.'s losses will be relieved, if accounts are always prepared using a December tax year end and how Długoterminowa Sp. z o.o. could make more effective use of the forecast tax losses by changing the company's tax year start and end dates wherever possible during the period up to 2022. (8 marks)
- (b) Explain how frequent changes of tax year length could cause problems for Długoterminowa Sp. z o.o. (2 marks)

**(10 marks)**

- 5 Alfa Sp. z o.o. (Alfa), a Polish tax resident company, received sales revenue of PLN 95,000,000. The revenue relates to sales in Poland in 2018 but includes PLN 2,500,000 of deposits received from customers for products which were not provided until 2019. The products were shipped to customers before the preparation of the 2018 tax return in March 2019.

The costs of products sold and delivered during 2018 of PLN 62,000,000 includes materials and leased equipment (under operating leases).

During 2018, Alfa paid gross salaries of PLN 200,000 per month to its employees. However, due to cash flow problems, Alfa paid the salaries and related contributions for December 2018 at the end of January 2019.

Alfa purchased accounting and production management services in 2018 both from unrelated service providers at a cost of PLN 1,500,000, and from related parties at a cost of PLN 1,800,000.

These services do not include the general management of the company which is performed by the three members of Alfa's management board. None of the management board earn any remuneration from Alfa, as their salaries are paid by another related company. On average, the total gross salary for managers of a company of Alfa's size is estimated at PLN 10,000 per month.

In addition to the business activity in Poland, Alfa operates a branch in Nearland (another EU country) with which Poland has a double tax treaty which provides for the credit method of double taxation relief. The branch profit was PLN 1,200,000 (after the deduction of the equivalent of PLN 400,000 foreign corporation tax paid).

The costs deducted by the branch included:

- Costs of representation (at a lavish dinner for business partners) PLN 140,000
- PLN 80,000 of foreign social security contributions payable in respect of employing the branch personnel
- PLN 100,000 for the depreciation of know-how purchased in 2017 for the equivalent of PLN 200,000
- A penalty of PLN 50,000 for breach of an environmental standard

All of these costs are considered to be tax deductible under the laws in Nearland.

On 1 January 2018, Alfa purchased 100% of the shares in Beta Sp. z o.o. (Beta) for PLN 60,000,000. The acquisition of the shares was fully financed with a loan bearing interest of 3% p.a. payable on the last day of the year. Alfa received dividends of PLN 12,000,000 from Beta during 2018.

**Required:**

**Calculate Alfa Sp. z o.o.'s corporate income tax for 2018.**

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

**(15 marks)**

- 6 Mariusz Pałak, a Polish tax resident individual, is employed under a labour agreement and during 2018 his gross salary was PLN 55,000.

Mariusz is considering starting a registered business activity alongside his employment. He plans to buy and resell board games and he expects that in a full year he will buy games for PLN 70,000 and will resell them for PLN 85,000.

Mariusz has the choice of either

- (i) not filing any requests for non-standard tax treatment of his additional activity, or
- (ii) applying the flat rate revenue taxation system (*ryczałt*) to his business activity.

**Required:**

**Assuming Mariusz started the new activity, his employment income is unchanged and the 2018 tax rates and allowances continue to apply for a full year:**

- (a) **Briefly discuss the social security (ZUS) and health service (HSC) contributions which will be payable if Mariusz starts the new business activity in 2019.** (2 marks)
- (b) **Calculate Mariusz's personal income tax payable for 2019 using:**
  - (i) **the default taxation rules;** (7 marks)
  - (ii) **the flat rate revenue taxation rules.** (6 marks)

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

**(15 marks)**

**End of Question Paper**