

Simplified payments on account may be selected by 20 February

Taxpayers of income tax who conduct business activity have the opportunity to select the form of making payments on account for this tax. Instead of standard advance payments calculated on the basis of the tax result achieved in the given year, a simplified method may be selected, which in many cases may prove more beneficial in terms of current tax liabilities.

ESSENCE OF THE SIMPLIFIED METHOD

The simplified method of calculation of payments on account is characterised by the fact that over the whole tax year advance payments are made **in a fixed amount**, determined on the basis of the tax result from previous years. The payment on account is determined in the amount of **1/12 of the tax amount** indicated in the annual tax return submitted in the year preceding the given tax year, or in the year preceding the given tax year by two years (if no tax due was declared in the previous year).

In the case of the selection of the simplified method from 2017, the amount of the monthly advance payment would be 1/12 of the tax amount calculated on the income declared in the annual tax return for 2015 (submitted in 2016). If a loss was incurred in 2015, then the basis for the determination of the amount of payments on account will be the income generated in 2014 (preceding the current tax year by 2 years).

WHO MAY BENEFIT FROM IT

Using the simplified method of making payments on account **is impossible** if:

- no tax due was declared both in the tax return for the previous tax year and in the tax return submitted two years ago tax
- the taxpayer commenced business activity in the year in question or in the previous year
- no notification of the selection of this form of settlements has been submitted within the required deadline.

HOW TO CHOOSE

In order to benefit from the simplified method of making payments on account, the relevant head of tax office should be notified of the selection of this form of settlements **by the date of the first payment on account** for the given tax year. Taxpayers whose tax year overlaps with the calendar year should submit the above notification **by 20 February of the year** from which this form of settlement will be used.

In the case of the simplified method, it should be **applied also in the following tax years** – unless by 20 February of the given year a notification is submitted to the relevant head of tax office, stating the discontinuance of the simplified form of making payments on account.

WHEN IS IT WORTH CHOOSING THIS METHOD

The selection of the simplified method may prove particularly beneficial for taxpayers who

- record an annual, systematic **increase in income**
- are planning to achieve **above-average income** in 2017 (e.g. from the sale of assets or performance of a high-value contract).

The benefits from using simplified payments on account include:

- payments on account made during the year are lower in comparison with the basic method of calculation of advance payments, which helps the company **improve its financial liquidity**
- **avoidance of possible additional payments** (together with interest for default) in comparison with the situation where, due to various events, the amount of the advance payment for the given month would have to be corrected

At the same time, it should be emphasised that the **selection of the simplified method should be preceded by an analysis of the individual financial situation, prospects and forecasts for 2017, as well as expected benefits**. This is because while this method has many benefits, in some cases its application may bring an effect contrary to that expected. For example, if the taxpayer generated only losses in 2017, if they chose the simplified method, they would be obliged to make income tax advance payments in a fixed amount (without the possibility of giving up this form of settlement in the course of the year).

OUR SUPPORT

TPA Poland offers complex support in this respect, including:

- verification of the effectiveness of using the simplified form of settlements
- analysis of the company's tax situation from the point of view of cost-effectiveness of using this form of payments on account (together with the estimation of expected benefits on the basis of the forecasted tax year)
- support in the implementation of this form of settlements (calculation of the advance payment amount, preparation of the tax authority notification form).

CONTACT

If you are interested in receiving more extensive information / support with regard to simplified payments on account, please contact us:



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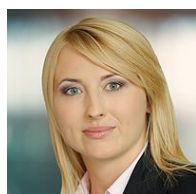


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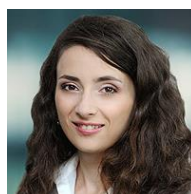


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