

Changes in taxes 2020

In 2020, the Polish legislator introduced numerous changes in tax regulations, in particular in corporate income tax and VAT. Some of the new regulations are a consequence of changes made during 2019. Below is a summary of them.

WHITE LIST OF TAXPAYERS

Since January 2020, the sanctions resulting from the implementation of the white list of taxpayers have been incorporated to income taxes provisions.

The new regulations introduce the obligation to verify, **prior to making a transfer** to a given counterparty, whether the bank account number indicated on the invoice is disclosed on the white list of taxpayers. If the transfer is made by the buyer to a bank account undisclosed on the white list, and the counterparty (vendor) fails to pay the amount of VAT to the tax office, the buyer **will be jointly and severally liable with the seller** for the VAT shown on the invoice. In addition to VAT sanctions, the regulations also introduce income tax sanctions. In the case of bank transfers, where **their value exceeds PLN 15,000.00, the taxpayer will not be able to include the expense as a tax deductible cost.**

A taxpayer will be able to avoid VAT and income tax penalties provided that, within **three days** of making the transfer to a bank account not disclosed on the white list of taxpayers, the taxpayer **notifies the tax office head relevant for the issuer of the invoice** about the situation.

MANDATORY VAT SPLIT PAYMENT MECHANISM

Since January 2020, the sanctions resulting from the implementation of the mandatory split payment mechanism have been incorporated to income taxes provisions.

In the event that, despite the annotation 'split payment mechanism' on the invoice, the payment has been made without the split payment mechanism, the taxpayer has no right to classify the given expense as tax deductible costs. The split payment model apply to supply of specified goods and provision of specified services **between taxpayers (B2B) and apply only to electronic bank transfers**, i.e. will not apply to other forms of payment.

The mandatory split payment mechanism applies to invoices covering transactions between taxpayers, where the one-time amount, regardless of the number of payments made, exceeds **PLN 15,000** or its equivalent. Transactions, whose value does not exceed PLN 15,000 will be subject to settlement on general terms, with the Purchaser able to decide whether to apply the split payment mechanism on a voluntary basis. The regulations introduce an obligation to place an additional annotation on the invoice issued by the taxpayer informing about the **"split payment mechanism"**.

This obligation applies to invoices, whose one-time value exceeds PLN 15,000 and includes goods or services included in the new annex to the law on VAT, defining the list of goods and services subject to the split payment mechanism.

TAX MICRO-BANK ACCOUNT	<p>From January 1, 2020, a tax micro-bank account starts functioning, which is used to pay personal income tax (PIT), corporate income tax (CIT) and VAT taxes.</p> <p>The number of micro-tax account can be checked and generated using the generator located on the MF website under the link https://www.podatki.gov.pl/generator-mikrorachunku-podatkowego or it can be obtained at any Polish tax office. For active VAT payers or tax payers, payers of social security and / or health insurance contributions, all you need to do is provide your tax number (NIP).</p> <p>Other taxes (other than PIT, CIT and VAT), e.g. real estate tax, should be paid according to the existing rules to tax accounts of tax offices, in accordance with the notice on the list of bank accounts of tax offices. Also payments regarding ZUS will be made according to the existing rules.</p>
WITHHOLDING TAX	<p>On December 30, 2019, the Ministry of Finance postponed until June 30, 2020 the entry into force of new regulations regarding collection of withholding tax.</p> <p>As of January 2019, a new procedure of settling withholding tax was introduced in the Polish tax regulations, when the total of payments within a tax remitter's fiscal year to the same recipient exceeds PLN 2 million. In that case, even if the conditions to apply the exemption under the Polish tax law or lowered rate resulting from double tax treaties have been met, tax remitters shall be obliged to collect withholding tax at the standard tax rate resulting from the Polish law (in principle 20%).</p> <p>The new provisions prevent the tax remitter (the entity making the payment) from limiting the collected tax under a relevant bilateral tax treaty or exemption resulting from the Polish tax law.</p> <p>Importantly, the obligation to collect tax under these new regulations will apply to a surplus over PLN 2 million. If the limit is exceeded, the new mechanism shall apply only to payments to this particular taxpayer.</p>
QUICK FIXES	<p>From January 1, 2020, a package of changes to EU law in the field of VAT, called "Quick fixes", will enter into force. These are amendments to the existing EU VAT regulations, which are aimed at unifying and facilitating VAT settlements in individual EU countries, but at the same time introducing new rules for documenting EU transactions, which tightens the conditions for applying a zero VAT rate for intra-Community transactions.</p> <p>The "Quick fixes" package covers four areas of changes in EU law in the field of VAT:</p> <ol style="list-style-type: none"> 1. Presumption of EU delivery (intra-Community supply of goods) and new, more stringent documentation requirements to demonstrate intra-Community supplies 2. Requirements for VAT registration of the buyer for intra-Community transactions and new, more stringent EC sales list reporting requirements in the recapitulative statements (new condition for applying 0% rates for EU deliveries) 3. Uniform rules to simplify chain transactions in EU 4. Simplifications in the functioning of consignment warehouses („call-off stock”). <p>At present, the amendment of the Polish VAT Act is under processing.</p>
BAD DEBTS RELIEF IN CIT	<p>From January 1, 2020, tax law included regulations regarding the relief for bad debts. In accordance with the new regulations, the tax base:</p> <ul style="list-style-type: none"> ■ is subject to an increase (decrease) by the value of the tax liability, which has not been settled, included in tax deductible costs, with the increase (decrease) being made in the tax return filed for the tax year in which 90 days have elapsed since the date of payment specified on the invoice (invoice) or in the contract ■ may be reduced (increased) by the value of receivables, which has not been settled or sold, included in taxable receivables, while the decrease (increase) is made in the tax return filed for the tax year in which 90 days have elapsed from the date of expiry invoice (bill) or in the contract.

The tax base is reduced if, until the date of submitting the tax return, the claim has not been settled or sold. Increases, however, if until the date of submitting the tax return the liability has not been settled. **The new provisions apply when the following conditions are jointly met:**

- the debtor is not undergoing restructuring, bankruptcy or liquidation proceedings
- two years have not passed since the invoice (bill) or the contract was concluded
- the transaction is concluded as part of an activity from which the income is subject to income tax in Poland.

OTHER CHANGES

Liquidation of VAT returns and the new JPK_VAT. From April 1, 2020, the VAT return will be liquidated. They will be replaced with a new, extended JPK VAT file. The obligation to submit return and records in the new JPK VAT format is effective from 1/04/2020 for large entrepreneurs, and from 1/07/2020 for other VAT payers.

Receipts with NIP number. From January 1, 2020, in the case of sales documented with a receipt, an invoice may be issued to the VAT payer only if his VAT number has been indicated on the receipt. If it is established that the taxpayer issued an invoice in violation of the prohibition of issuing VAT invoices for taxpayers for sale documented previously with a receipt, if this receipt does not contain the buyer's NIP, then the tax authority sets this taxpayer an additional tax liability in the amount corresponding to 100% of the amount of tax shown on this invoice. This sanction will also apply to the purchaser who will record such an invoice in the records.

Higher income limit for small taxpayer. The sales revenue limit (gross) defining a small taxpayer in income taxes has been increased from EUR 1,200,000 to EUR 2,000,000.

Binding tax rate information. From April 1, 2020, regulations regarding binding rate information will enter into force. These are decisions containing, among others indication of the VAT rate appropriate for a given good or service. Binding rate information is issued for the purposes of VAT on the supply of goods, the import of goods, intra-Community acquisitions of goods or the provision of services. The basis for identifying goods and services for the purposes of determining the VAT rate is the Combined Nomenclature (CN) for goods and PKWiU (Polish Qualification of Goods and Services) from 2015 in the field of services.

Import of goods in VAT return. After changing the regulations from July 1, 2020, any taxpayer registered as an active VAT taxpayer can settle the amount of tax due on import of goods in the tax return submitted for the period in which the tax obligation arose on the import of these goods. The simplified procedure is to be the rule, not the exception.

Online cash registers. In 2019, online cash/fiscal registers were introduced to Polish VAT regulations. The new cash registers have a built-in functionality that allows automated and direct transmission of information from the cash register to the Central Cash Repository of the Ministry of Finance. Cash registers send detailed information about each transaction to the tax administration. The regulations include a schedule for withdrawing existing cash registers and replacing them with on-line cash registers. The first group of taxpayers who deal with the sale of a particular type of goods (e.g. sale of fuels or gas) or services (e.g. repair of vehicles, tires) must record sales using an on-line cash register from January 1, 2020.

CONTACT

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