

Changes in VAT 2021 (SLIM VAT)

At the beginning of 2021, a number of amendments known as the SLIM VAT (Simple, Local and Modern VAT) package were introduced to the Polish VAT Act. The main elements of this package are simplifications with regard to correcting invoices (credit notes or debit notes), facilitations for exporters, changes in the exchange rate to be applied, and facilitations with regard to the deduction of VAT.

CREDIT NOTES

As of January 1, 2021, the seller (service provider) **no longer needs to have confirmation of receipt of the credit note by the buyer** in order to reduce the VAT due on the credit note issued.

Pursuant to the new regulations, the reduction of the tax base is applicable to the settlement period in which the taxpayer issued a credit note, provided that it results from the documentation in possession of the taxpayer confirming that **he agreed with the buyer of goods or recipient of services the terms for reducing the taxable base for the goods or services specified in the correcting invoice and these conditions were met**, and the invoice is consistent with the held documentation. In case where, in the accounting period in which the credit note is issued, the taxpayer is not in possession of the documentation, the reduction of the tax base shall take place for the accounting period in which the documentation was obtained.

At the same time, the moment at which the buyer is obliged to reduce the amount of input tax resulting from the credit note received has changed. As of January 2021, it is the accounting period in which the conditions for reducing the tax base have been agreed with the seller of goods or provider of services if, before the end of that accounting period, those conditions have been met. In the event that the conditions for reducing the tax base have been met after the settlement period in which they were agreed upon, the buyer of the goods or services shall be obliged to reduce the amount of input tax in the settlement for the period in which these conditions were met.

This means that the formal condition of obtaining a confirmation of receipt of the correcting invoice by the buyer has been waived. This change should contribute to the simplification of tax settlements, and also reduce the number of situations in which a correcting note to the VAT return is necessary. On the other hand, the new rules require taxpayers to use appropriate business procedures to reflect and confirm the commercial arrangements with customers (e.g. discount negotiations, complaint process, return of goods, etc.).

APPLICATION OF THE NEW RULES ON THE RECOGNITION OF CORRECTING INVOICES	<p>The new rules on the recognition of correcting invoices apply to correcting invoices issued from January 1, 2021. For correcting invoices issued before that date, the rules in effect until the end of 2020 shall apply.</p> <p>The amended law provides for the old rules to continue through 2021. In the case of correcting invoices issued after December 31, 2020 in connection with a reduction of the tax base, until December 31, 2021, taxpayers may apply the old rules (condition of obtaining a confirmation of receipt of the correcting invoice by the buyer) if the decision to apply these rules has been agreed in writing between the seller and the buyer before issuing the first correcting invoice in 2021. Resigning from the above decision may take place no sooner than 3 months after the end of the month in which the decision was made, provided it has been agreed upon in writing between the seller and the buyer.</p>
EXPORT OF GOODS	<p>Pursuant to the amended regulations, the 0% rate for advance payments related to export of goods is, as a rule, applicable if the export of goods takes place within 6 months.</p> <p>So far, it has been only 2 months. In the absence of IE-599 notification by this date, the taxpayer is required to adjust the return for the month of receiving the advance payment applying the domestic rate. In the month of exporting goods and receiving the IE-599 notification, this advance payment should be adjusted at the domestic rate and all export sales should be reported at the 0% rate.</p> <p>Extending the deadline from 2 to 6 months will reduce the number of adjustments to VAT returns, which according to the lawmakers will improve the conditions for doing business in Poland.</p>
EXCHANGE RATES	<p>As of January 2021, the possibility of common exchange rates for VAT and income tax purposes has been introduced in the VAT regulations. This is important when the sales invoices issued by the taxpayer have different time of settlement for VAT and income tax purposes (e.g. rental, construction services).</p> <p>Pursuant to the new regulation effective as of 2021, the amounts used to determine the tax base determined in a foreign currency may be converted by the taxpayer into PLN in accordance with the rules for conversion of income denominated in a foreign currency as per the provisions on income tax. This does not apply to transactions that are not subject to conversion in accordance with the rules applicable to income tax, such as intra-Community acquisitions of goods or import of services.</p> <p>The new regulation is an alternative to the basic principle, i.e. conversion of the tax base denominated in a foreign currency according to the average exchange rate announced by the National Bank of Poland on the last business day preceding the day on which the tax obligation arises. A taxpayer who has selected this option is required to apply the new rules for at least 12 consecutive months, starting from the month in which they selected them. In case of resigning from that option, the taxpayer is obliged to apply the basic rules for at least 12 consecutive months.</p>



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CHANGES IN VAT DEDUCTION

Starting from January 2021, the period for exercising the right to deduct VAT has been extended by 1 month for taxpayers filing monthly VAT returns. Under the new regulations, a taxpayer may deduct VAT on an ongoing basis in the month in which the right to deduct arises and in three consecutive months (two months until the end of 2020). For taxpayers filing VAT returns on a quarterly basis, the period for deducting tax has not changed and it is still the quarter in which the right to deduct tax arose and two consecutive quarters.

In addition, as of January 1, 2021, taxpayers purchasing accommodation services for the purpose of reselling them (purchasing services on their own behalf but for the benefit of third parties) acquire the right to deduct VAT. Until the end of 2020, it was not possible to deduct VAT on accommodation services purchased for resale.

OTHER CHANGES IN VAT

Increase the amount limit on gifts of small value. Effective January 1, 2021, the limit on gifts of small value was increased from PLN 10 to PLN 20 (the unit purchase price of goods without tax). This applies to gifts that are not required to be included in the gift records. The limit for gifts included in the register remains unchanged and is PLN 100.

Split-payment mechanism. In case of a setoff of any receivables, the mandatory split-payment mechanism shall not apply to the extent that the receivable amounts have been deducted. Applications for the release of funds from the VAT account can also be made by non-VAT taxpayers. Goods and services subject to the mandatory split-payment mechanism are classified in Appendix 15 of the VAT Act based on the Polish Classification of Goods and Services (PKWiU 2015).

Binding VAT Rate Statement (WIS). There have been a few changes in the area of WIS, including the possibility to obtain a Binding VAT Rate Statement (WIS) for goods subject to VAT according to the Polish Classification of Goods and Services (PKWiU). Additionally, a rule was put in place that WIS is only valid for 5 years after its issue date.

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