



Helping with tax challenges, wherever you are in the world.

VALUE ADDED TAX CHANGES IN POLAND

New Development

The Polish tax authorities have announced that, with effect from 1 November 2019, Poland is introducing what is known as a Split Payments Mechanism (SPM). Non-resident businesses that are registered for Value Added Tax (VAT) will need to have a bank account in Poland, and will require an additional VAT bank account that is dedicated to receiving and making VAT payments.

Under an SPM arrangement, the seller of certain goods must include some additional wording in its sales invoices, indicating that the sale is being made under this regime. When the purchaser comes to settle that invoice, it must select a particular banking document which notifies the bank that the payment they are making should be split between the net value and the VAT amount. The bank then credits the net value to the seller's regular account and the VAT amount, which must be paid in Polish złoty, to the seller's dedicated VAT account.

It should be noted that funds deposited into the new, dedicated VAT bank accounts are subject to limitations on their use. In the past, businesses have been able to use VAT collected as part of their broader working capital but this will no longer be the case, as money in the VAT account can only be used to settle tax debts with the authorities. With a standard VAT rate of 23% in Poland, this could represent a significant funding challenge for some businesses.

Scope of the Changes

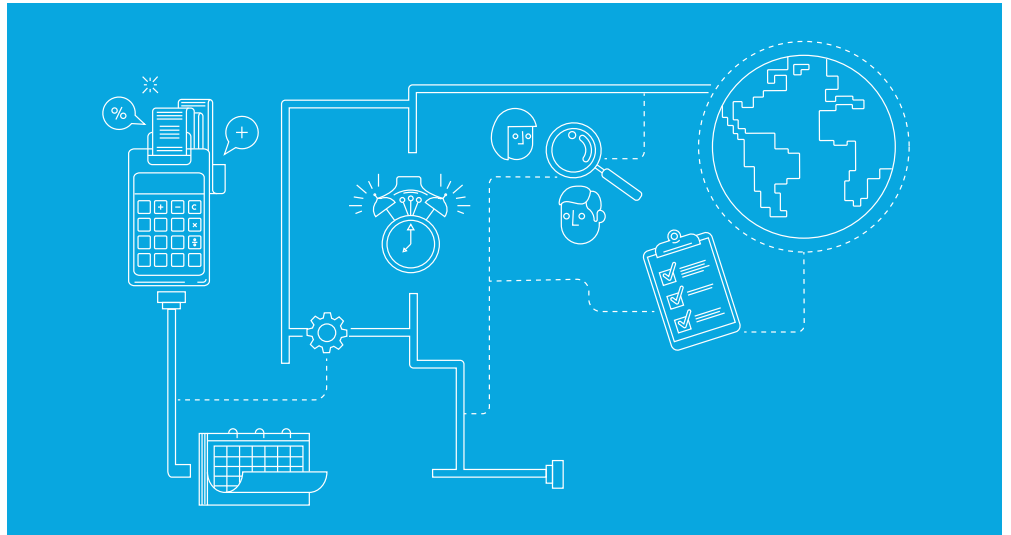
The new rules will apply to business-to-business (B2B) transactions covering a limited range of goods and services:

There are more than 150 types of goods and services included in Appendix 15 to the draft act, which are subject to the obligatory split payment mechanism.

They can be broken into the following categories:

- Electronic equipment
- Steel products and scrap
- Base metals, precious metals and jewellery
- Waste and recyclables
- Fuels and oils
- Chemical products and plastics
- Coal
- Automobile and motorcycle parts
- Services of transferring greenhouse emissions allowances
- Construction services

Additionally, the rules only apply to sales exceeding PLN 15,000 (roughly USD 4,000). Note, however, that this value relates to the entirety of the supply so if there are multiple invoices and/or payments involved, they should be aggregated to determine whether the sale exceeds the threshold.



Action Points

There are four main action points that businesses should consider:

- Assess whether the business is impacted by these changes by reference to the types of goods and services being supplied in Poland and their value
- **Banking** – where no local bank account is held and is now required, ensure that an account is opened, and the second, dedicated VAT account is created before 1 November 2019. A discussion with the business's current Polish bankers would be a good starting point
- **Systems** – ensure that financial and billing systems are updated to enable the inclusion of the newly-required language that should appear on sales invoices. Note that the tax authorities are empowered to impose a penalty equal to 30% of the tax due in cases where this wording is not applied correctly
- **Processes** – consider how invoice settlement processes will be affected, as different forms will be required to pay relevant vendor invoices. AP staff may also require training to enable them to identify invoices with the new wording so they can direct them to the new settlement process

One additional impact of these changes is that, with dedicated VAT bank accounts being required, they will almost certainly become subject to the tax audit process, which currently focuses more on invoices rather than payments. Businesses should consider this in determining their audit defense strategies.

How can RSM help?

RSM's global VAT experts are standing by to assist clients with managing these changes with a view to being compliant before the 1 November 2019 deadline. With resources both within Poland and around the world, we can help with:

- **Impact assessments** – RSM can provide a comprehensive report covering the effects of the changes on a business and the specific actions that need to be taken in order to achieve compliance
- **Contract review** – many contracts are fulfilled over a long period of time and/or may be subject to multiple invoices and payments. RSM can assess such contracts to establish whether they fall within the scope of these changes and how they should be managed in the new environment
- **Systems configuration** – there may be a range of systems changes necessary to accommodate the new VAT rules. RSM can assist with those changes including the wording required on sales invoices, identifying which invoices are in scope and other issues related to accounting and reconciliation
- **Training** – RSM can provide training to our clients so they have a full understanding of the new requirements

For further information, please contact:

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