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Announcement of the Bill amending the VAT Act (“SLIM VAT”)

A bill comprising a package of amendments to the Polish VAT Act and the Banking Act was published on the website of the Government Legislation Centre.

The bill is to introduce measures to simplify VAT settlements, including the SLIM (Simple Local and Modern) VAT package, amendments to the TAX-FREE travel tax refund system, as well as some other solutions aimed at supplementing and clarifying the currently applicable provisions.

SLIM VAT: simplification of VAT settlements

The bill relieves from the formal obligation to obtain confirmation that the purchaser has received correcting invoice (credit note). It will be possible to reduce the tax base and the VAT due at the time of issuing the correcting invoice, provided that the taxpayer has documentation confirming the correction-related arrangements made with the purchaser. If such documentation is unavailable in the period in which a correcting invoice was issued, it will be possible to make correction in the settlement for the taxable period in which the documentation was obtained.

At the same time, the purchaser will make adjustment (reduction of input tax) in the period in which the conditions for reducing the tax base specified in the correcting invoice have been agreed upon (currently, as a rule, the purchaser may reduce the input VAT only upon receipt of the correcting invoice).

The bill is also to bring regulation as to the method of VAT settlement of debit notes. Up to now, taxpayers could rely in this regard only on bidding rulings and jurisprudence. Under the new provisions, settlements will be made in the period in which the reason for the increase in the price (tax base) occurred.

Moreover, the bill introduces a possibility to use currency conversion rates for VAT purposes according to the rules applicable under the provisions on income tax, which will allow using single exchange rate for VAT and PIT/CIT settlements. However, if the taxpayer decides to apply such settlement method, they will be required to use it for at least 12 consecutive months, starting from the beginning of month in which this method was selected.

Additionally, the package provides for:

- Extension of deadline for the export of goods and reception of a valid customs document to apply the zero percent rate on the advance payment in the export of goods (from 2 to 6 months).
- Extension of deadline for input VAT deduction without the need to correct the VAT return from 2 to 3 consecutive settlement periods, for taxpayers making monthly settlements, for whom this means an effective extension of settlement deadline to 4 months in total. For taxpayers who make quarterly settlements, the new regulations do not bring any change.

- Possibility of deduction of input tax from invoices for the purchase of accommodation services for resale.
- Increase of the allowed amount for gifts of a small value from PLN 10 to 20.

Amendments to the TAX-FREE travel tax refund system

The bill provides for an introduction of all-electronic TAX-FREE billing system and recording of the issued TAX-FREE documents along with the paid amounts of the VAT refunds.

The goal of the proposed amendments is to streamline the VAT refund process, shorten the time of servicing travellers, as well as limit the use of the TAX FREE system for VAT fraud, ensuring better monitoring of economic operations in the field of selling goods, as well as enabling faster and more effective identification of undesirable activities.

Other changes

Furthermore, the bill brings about a range of clarifications and adjustments to VAT provisions.

Under the new provisions it will be possible to obtain a Binding VAT Rate Statement (BRS) for goods subject to VAT according to the Polish Classification of Goods and Services (currently, a BRS may be issued only for goods classified under CN).

Importantly, under the new rules, the BRS is to stay valid only for 3 years from its issue date (currently, its period of validity is indefinite).

The possibility of issuing a BRS in matters in which tax proceedings or tax audits are conducted or a decision or a resolution were made, will be exempt. Protection provided by a BRS will also be limited where it is used in an abusive transaction.

The bill also provides for significant modifications in the use of the VAT Split-Payment Mechanism (SPM):

- Exclusion from the obligation to use the SPM will also apply in the case of making other deductions than those defined by the Civil Code. As a result, SPM will not have to be mandatorily applied for multi-lateral setoffs or unmatured liabilities.

- Possibility of making transfers from the VAT account to customs agencies, in the amount corresponding to the VAT due on the import of goods or customs duties.
- Translation of Polish Classification of Goods and Services 2008 symbols into Polish Classification of Goods and Services 2015 symbols in Annex 15 to the VAT Act, which contains the list of goods/services covered by the mandatory SPM.

Further developments

The bill will progress to further legislative stages. It is projected to enter into force on 1 January 2021 (except for the TAX-FREE provisions which are to enter into force only on 1 January 2022).

If you would like to learn more about the issue discussed, please do not hesitate to contact us at: mampanytanie@kpmg.pl

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