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Draft act on retail sales tax

Tax Alert

Dear Readers,

The Government Legislation Centre published a draft act of 16 May 2016 on retail sales tax (further referred to as the "Bill"). The long-awaited Bill, following a number of public consultations during which representatives of the commercial sector and their associating organizations made suggestions and comments, was sent to the Standing Committee of the Council of Ministers. This Tax Alert presents the main assumptions of the Bill.

Subject and object of taxation

The proposed Bill will impose a sales tax on retailers, i.e. natural persons, legal persons, partnerships and organizational entities without legal personality who, in the course of their business in the territory of the Republic of Poland, sell goods to consumers at or outside their business premises. A consumer is a natural person not engaged in economic activity and a flat-rate farmer. Retail sales revenue will be the amount of money received by a taxpayer, including advances, instalments, prepayments and down payments. Any amount received from sales increases the revenue, irrespective of whether it is made before or after the delivery of the goods. Revenue will be determined based on the volume of turnover accounted for with cash registers, as well as turnover exempted from the obligation to keep records thereof. Revenue will not include the tax payable on goods and services.

Tax base

The taxable amount is the surplus of retail sales revenue generated in a given month over PLN 17m. The amount of revenue will be calculated cumulatively during subsequent days from the beginning to the end of sales for a given month. The tax base is to be reduced by the amount paid for the returned goods in a given month, after deduction of tax on goods and services. Given the fact that the tax obligation will apply only to revenue generated above the amount of PLN 17m, the taxpayer who does not reach the limit in a given month will not be taxed.

Tax liability and tax rate

Tax obligation arises when revenue exceeding PLN 17m is generated in a given month and applies to revenue earned in excess of the amount in question.

Tax will be charged per month, according to the following scale:

Tax base in PLN		Tax for a given month
More than	Up to	
17m	170m	0.8% of tax base up to PLN 170m
170m	–	1.4% of tax base exceeding PLN 170m

Tax exemption

Tax exemption applies to the sales of:

- natural gas supplied to consumers through distribution networks and water supplied to consumers by water and sewerage companies;
- coal and other solid fuels;
- other gaseous hydrocarbons used for heating purposes (both available in gas cylinders in a tax warehouse and in household gas tanks);
- gas oils used for heating purposes;
- medicines, foodstuffs intended for particular nutritional purposes and medical devices reimbursed or funded in whole or in part, on the basis of separate provisions;
- goods sold under catering services.

Payment of tax

It should be noted that taxpayers will be required to submit to the competent head of tax office, without being summoned, income-tax declarations, drawn up according to a specific format, as well as to calculate and pay the tax due to the account of the tax office. Both obligations will apply to monthly billing periods and must be fulfilled no later than by the 25th day of the month following the month in which the tax liability arose. The Bill clearly stipulates that retailers whose monthly sales revenue does not exceed the tax-free amount do not have to submit the income-tax declaration.

The purpose of the Act on retail sales tax, as often emphasized, is primarily to increase the competitiveness of small and medium-sized enterprises against large companies operating in the retail sector, as well as to increase the tax revenue of the state budget. The exact date the Act on retail sales tax and its final shape enters into force remains unknown. The Bill provides that the Act will come into force 30 days from the date of its publication.

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Should you wish to discuss the above mentioned amendments in detail, feel free to contact us:

Piotr LISS

Tax Partner

Tax advisor (10240)

E: piotr.liss@rsmpland.pl

M: + 48 696 488 369

RSM Poland

Droga Dębińska 3b
61-555 Poznań, Poland

www.rsmpland.pl

office@rsmpland.pl

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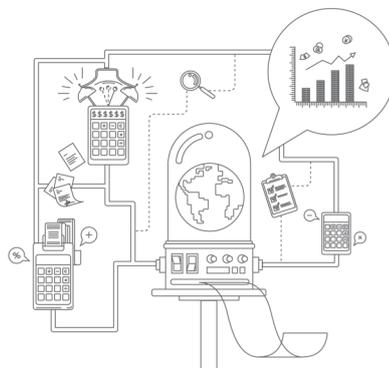
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