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NEW REGULATIONS FOR TRANSACTIONS EXCEEDING PLN 15,000 AS OF 2020

On 12 April, amended VAT, CIT and PIT acts were passed. As of 1 January 2020, more stringent provisions concerning payments for transactions exceeding PLN 15,000 will be in force. Any failure to meet statutory conditions will result in joint and several liability of the purchaser for the vendor's VAT accounting and denied right to recognise this expenditure as tax deductible. Under the new regulations, foreign entities registered for VAT purposes in Poland will have to open bank accounts in Poland. New regulations are going to cover limited companies, partnerships and sole proprietorships.

Regulations in force until the end of 2019

The VAT Act in force does not provide for the purchaser being jointly and severally liable with the vendor in the event in which a payment is made to a bank account other than the one shown in registration documents, which means that taxpayers must prepare for such regulations well in advance.

When it comes to income taxes, similar regulations are already in force, though. At present, when making a payment for transaction exceeding PLN 15,000, taxpayers are under obligation to use bank accounts; otherwise, taxpayers do not have the right to include this expenditure in their tax deductible costs. However, taxpayers do not have the obligation to make payments solely to registered bank accounts as for today.

White List of VAT taxpayers

In September 2019, the so-called "white list of VAT taxpayers", being a register of details of active, exempt, non-registered, de-registered and re-registered VAT taxpayers, was launched. The register includes a full range of information, among others numbers of bank accounts in Poland used for business purposes, which is going to force foreign entities to open a bank account in Poland.

Regulations in force as of January 2020

As of January 2020, entrepreneurs will be in fact forced to use only those bank accounts that are disclosed in the White List of VAT Taxpayers. If a payment is made to other accounts of your contractors, expenses exceeding the statutory thresholds will not be recognised as your tax deductible costs. What is more, if a payment is made to a non-registered



bank account, the purchaser of the goods or services will be jointly and severally liable with the payment recipient for any input VAT accounting of such receivables.

These regulations are a blow for foreign entities which have not yet had their bank accounts in Poland.

It should be noted, as well, that entities that make payments on behalf of other taxpayers (e.g. factors) will have to exert special caution, because if they make a payment to a bank account that is not shown on the White List of VAT Taxpayers, the amount of this payment may be recognised as income.

How to prepare for the changes

Given the negative consequences of transactions with entities not included in the "white list of VAT taxpayers", foreign entities registered for VAT purposes in Poland should start preparing for opening their bank accounts in Poland as soon as possible.

What is more, on the day of making a bank transfer, entrepreneurs will be obliged to check whether the bank account provided by the recipient is shown on the "white list of VAT taxpayers". If you make a bank transfer to a bank account that is not included on the White List, you will have 3 days to report this to competent tax authorities. By doing so, you will retain the right to recognise this bank transfer as tax deductible cost and be released from joint and several liability with the payment recipient.

Given the scope of changes, we recommend adjusting your procedures to the aforesaid regulations, namely to:

- open a bank account in Poland (in the case of foreign entities that do not have a bank account in Poland);
- add bank account verification to your in-house procedures;
- prepare for the process of reporting non-registered bank accounts.

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 January 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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