

**VAT
ALERT!**

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Polish VAT - an increase of the VAT rates

Polish government approved a change in the law, which will result in an increase of the VAT rates, taking effect at the beginning of 2011. Therefore next year a standard VAT rate will be 23% (an increase of 1%), new reduced rates 8% (an increase of 1%) and super-reduced rates 5% (an increase of 2%). In some cases the taxpayers will be allowed to apply 3% VAT rates (mainly for low-processed food). Moreover new VAT law reduces a VAT rate for some basic food products from 7% to 5% (a decrease of 2%).

Please see our quick guide containing general rules for applying new rates in some situations.

Quick guide

1. When do I have to start charging new VAT rates?

Generally you should charge new VAT rates on any sales of goods or services that you make on or after 1 January 2011 according to C column mentioned in a table below.

However Polish legislator introduced several exceptions from a general rule which relate to continuous sales, advanced payments and local taxation of intra-community acquisitions of goods (see examples in point 4).

2. What are changes in the VAT rates?

Table 1. Comparison of VAT rates in Poland

A Type of rates	B Old rates (up to 31/12/2010)	C New rates (from 01/01/2011)	D Comment
Standard rate	22%	23%	
Reduced rate	7%	8%	
Reduced rate	7%	5%	basic food products
Super-reduced rate	3%	5%	low-processed food
Super-reduced rate	3%	3%	
Agricultural flat rate	6%	7%	
Taxi flat rate	3%	4%	

3. Which rates of VAT are not affected?

Foregoing change in the VAT rates generally does not affect sales of goods or services that are charged with another rate of VAT. These are:

- Zero rated (however in case of some products as for example specialized/technical newspapers and books the VAT rates will increase from 0% to 5%)
- Exempt (the rate stays the same but the list of products and services exempt from VAT is changed).

4. Examples for the transaction at the end of a year.

Example 1.

Transaction: *Goods delivered on Dec. 31, 2010. The invoice is issued January 3, 2011.*

The most important is time of supply, hence the taxpayer applies old VAT rate because the transaction took place in 2010.

Example 2.

Transaction: *The accounting services are billed on the basis of monthly billing periods (continuous supplies). For example, the service is run from 01.12.2010 to 31.12.2010.*

In this case, the chargeable event arises at the end of each month for which the service is provided i.e. 31.12.2010, so the taxpayer applies the VAT rate applicable in 2010.

Example 3.

Transaction: *The telecommunication services for the service running from 15.12.2010 to 14.01.2010 (also continuous services) and an invoice is issued in January 2011.*

This is most tricky case in which taxpayer should apply both VAT rates. Old rate should be applied for the period related to December and new one for the period related to January. In this case invoice day is not taken into consideration.

Example 4.

Transaction: *The customer pays an advance payment (90% of full payment) at 10.12.2010. The sales and supply of good is made in January 2011.*

It must be pointed out we have two situation here, first one is the way of taxation of advance payments made in previous year and the second one is the way of taxation of supply of goods made in January 2011.

In this case taxpayer should apply the old VAT rate for advance payment made before the change of VAT rates was effected (even if the payment covers 100% value of sales) and the new VAT rate for rest of payments related to sale made in 2011.

Example 5.

Transaction: *The intra-community acquisition took place at 30.12.2010, an invoice has been issued in 10 January 2011.*

For such cases the most important is a chargeable event at intracommunity acquisition which arises in 15 day of the month following the month of supply unless an invoice is issued earlier. If it was issued earlier, chargeable event is an invoice day. In this case the chargeable event is 10 January thus taxpayer should apply new VAT rate for this supply.



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