

The draft of changes "Slim VAT" is ready

Krzysztof Koślicki

VAT ACCOUNTING TAX ADVISOR NEWS Date added: 08/18/2020



Source: iStock

On Tuesday, the Government Legislation Center presented a draft amendment to the act on tax on goods and services, part of a package of changes named Slim VAT by the Ministry of Finance. The new rules will apply from January 1, 2020.

The current technological progress in tax settlement and the introduction of analytical and anti-VAT tools, (split payment mechanism), online cash register system, the so-called white list, enabling the head of KAS settlements, contributed to tightening the settlements and collection of tax on goods and services – wrote in the justification to the draft amendments. For this reason, you can make changes to simplify tax accounting.

An advertisement for a free e-book. It features a dark background with a red circular icon containing a white downward arrow and the text 'Bezpłatny e-book' in red. Below this, the title 'Przewodnik po zmianach w VAT od 1 lipca 2020 r.' is written in white. At the bottom, the word 'Sprawdź' is in red, followed by a red button with a white right-pointing arrow. The logo 'Wolters Kluwer' is in the top left corner of the ad. A close button (X) is in the top right corner of the ad's frame.

Slim VAT package – what will it include?

The presented draft amendment to the act shows that a **longer period** will be introduced **for the export of goods** to maintain the 0% rate. when taxing advance payments for the export of goods from two to six months. The amendment also extends the deadline for deducting VAT charged on an ongoing basis up to a total of four settlement periods. In the case of taxpayers who pay quarterly, the solution remains unchanged, which means that they can deduct VAT charged "on an ongoing basis" in the settlement period in which they acquire this right or in the next two settlement periods. Consistent exchange rates will also be introduced. **An optional feature will be added** application to determine the tax base expressed in a foreign currency for conversion into zlotys in accordance with the principles of converting income resulting from the provisions on income tax applicable to this taxpayer for the purposes of accounting for a given transaction (after selecting the option, the taxpayer is obliged to use it for at least 12 consecutive months, since the beginning of the month he chose her). **The draft also provides for the possibility of deducting** input **tax** resulting from invoices documenting the purchase of accommodation services for resale. **The limit on unchecked gifts of small value will also be increased from PLN 10 to PLN 20.** In addition, you will not have to watch the receipts of corrective invoices in minus. The draft also provides for the introduction to the act of a provision on the settlement of correcting invoices increasing the price. The solution confirms the current practice, according to which, if the tax base increases, the correction of this base is made in the settlement for the period in which the cause of the increase in the tax base occurred.

Changes in the TAX FREE system

As the Ministry of Finance explains, in order to prevent VAT fraud, tighten the VAT system and strengthen for it is necessary to introduce changes to the TAX FREE system, both by adopting legal solutions and using IT **changes provide for a fully electronic TAX FREE document circulation and the recording of TAX FREE documents to travelers in the IT system.**

SLIM VAT is to simplify and further tighten tax collection >>

The proposed electronic form of the TAX FREE document will enable the introduction of electronic confirmation in the TAX FREE document outside the European Union and will improve the handling of this document in the Administration. The above solution is to significantly shorten the service time for passengers presenting the form for customs clearance. The Ministry of Finance points out that the electronic TAX FREE document flow will reduce the use of the TAX FREE system to commit VAT fraud, e.g. carousel fraud, ensuring better monitoring of economic goods, while allowing faster and more effective identification of undesirable phenomena.



According to Dorota Pokrop, tax advisor and partner at EY, this project is generally a step in the right direction. It indicates that, for example, reducing the requirements for confirming downward correction invoices, recognizing in plus corrections, or the possibility of using the exchange rate appropriate for CIT settlements are useful simplifications.

- Increasing the value threshold of small-value gifts from PLN 10 to PLN 20 should also be assessed positively, although it seems that a higher amount, e.g. PLN 50, would be more adequate to market realities. And what should be emphasized, as usual – the details are important, for example, the proposed provision on documenting the arrangements between the seller and the buyer, which are the basis for the correction, is too general. And it will surely be a source of doubts for taxpayers and tax authorities again. The question of whether the solution would not be a complete departure from documentation other than the financial settlement of the correction between entities, which ultimately confirms the parties' agreement to the new conditions – emphasizes Dorota Pokrop. The expert also adds that there are more problems of this type, so the action of "weight loss" VAT could be wider. For example, enabling the deduction of input tax within 12 months, instead of today's three. Or the resignation from separate reporting of input and output tax on transactions covered by the reverse charge mechanism due to too late reporting for VAT purposes. These issues probably bother taxpayers even more than those covered by the draft, and it would be worthwhile for them to be included as well.

