

Warszawa, 09.04.2020

Dear Sirs,

On 8 April 2020, a video conference of representatives of entrepreneurs affiliated in the IGCC with representatives of the Ministry of Finance ("MF") took place. The meeting was conducted by French-Polish Chamber of Commerce and tax advisers from CRIDO.

During the meeting, the proposals and issues important for entrepreneurs related to tax settlements during the COVID-19 period were raised. The proposals regarded mostly the issues of CIT and VAT taxation. The proposals were also discussed from the perspective of their impact on the state budget and, consequently, the possibility of implementation. Representatives of the Ministry of Finance indicated that they are open to dialogue and any ideas on improvement or facilitation in area that does not directly affect the budget, but pointed out that in the area that strongly affects budgetary issues (such as tax deferrals), the subject is much more difficult, or even not possible to implement.

Below we present a brief summary of the meeting. Based on information provided, it is not clear, when specific legislative proposals or the implementation of new solutions can be expected.

Proposals on which the MF is currently working:

- [PIT] a decree suspending the accrual of interest on tax arrears resulting from the submission of the PIT return after due date being 30 April and until 31 May 2020;
- [WHT] new decree further deferring WHT "pay and refund mechanism" for payments over PLN 2 million (Article 26(2e) CIT Act, Article 41(12) PIT Act) (currently deferred until 30 June 2020);
- [WHT] facilitations with respect to certificates of residence of foreign taxpayers as regards extensions of their validity or the possibility of submitting copies;
- [WHT] amendment of rules that have been introduced from 1.01.2019 is still planned but MF did not give details, when the amendment can be expected;
- [Sugar tax] deferral of entry into force by the end of the year;
- [VAT] abolition of the obligation to hold a receipt confirmation to recognise the invoice adjustment;
- [VAT] further postponement (currently until 1 July 2020) the entry into force of the rules on online cash registers.

Proposals for which the MF is open for further analysis / discussions:

- Preparation of tax clarifications - MF asked for the preparation of specific problematic issues requiring clarifications - in two pillars:
 - 1st Pillar - explanations with respect to tax regulations introduced by o called "Anti-Crisis Shield" and their application;
 - 2nd Pillar - explanations to existing provisions, other than the "Anti-Crisis Shield", concerning their application during COVID-19 - the issue of due diligence for the



purposes of withholding tax or the definition of genuine business activity / or effective place of management or merchant due diligence have been emphasised in particular;

- [CIT] amendments with respect to limitation of tax deductibility of debt financing costs (Article 15c CIT Act) and costs of intangible services (Article 15e CIT Act) due to possible decrease of tax EBITDA due to COVID-19;
- [CIT] the possibility of changing depreciation methods during the year, as well as a change in the amount of individual rates during the year;
- [CIT] the possibility of setting up a tax group during the year or settling taxes within a capital group (“ad hoc tax group”);
- [CIT] temporary suspension of the restrictions resulting from the allocation of revenues and costs to the so-called operating and financial revenues/ costs during the COVID-19 period;
- [CIT] liberalisation of the deadline for bad debt relief for the creditor (earlier adjustment of the tax base by not received payments);
- [White list] extending the deadline for reporting bank accounts not included in the so called “whitelist” to 21 days and introducing already drafted changes to the submission of notices to the taxpayer’s tax offices instead of the tax office of the invoice issuer. Nevertheless MF pointed out that the currently extended period - up to 14 days - appears to be sufficient. This issue has raised a number of concerns of entrepreneurs, given the significant difficulty in reporting accounts outside the whitelist differently than by hand and otherwise than by the work from office, due to the inability to report accounts efficiently by electronic means;
- [VAT] deferral of the obligation to collect documentation in the case of intra-community supply;
- [VAT] in the case of the provision of services free of charge for the COVID-19 purposes, MF accepted that such services could be considered as connected with business activity (but did not declare whether this would be formally confirmed, for example by means of explanations or general interpretation);
- [VAT] further postponement of the entry into force of the VAT rate matrix and new SAF-T rules (but this issue is highly debatable).

Proposals, which MF is unlikely to accept / no clear declaration from MF:

- [VAT/CIT] MF representatives have indicated that it is currently not possible to automatically postpone VAT payments or CIT advances (entrepreneur can only apply for such a postponement individually) and to submit VAT returns;
- [VAT] no faster VAT refund (15 days instead of 60), or no faster or automatic payment of funds from VAT accounts - however MF representatives indicated that tax authorities have received guidelines to make refunds as quickly as possible;
- [VAT] potential changes in the recognition of intra-community purchase/ import of services in MF assessment depend on the judgment of the CJEU;
- [VAT] mandatory split payment will not be abolished;
- [VAT] no possibility to change to cash method for the settlement of the output VAT;
- [VAT] no possibility to accelerate the application of bad debt relief;
- [VAT] in the case of supply of goods free of charge for COVID-19 purposes - MF stated that the lack of VAT collection could raise doubts and risks from the point of the tax system's tightness.



Other issues discussed

- APA - MF shall contact the relevant National Revenue Administration representatives on whether it is possible to speed up their issuance;
- The entry into force of the digital and carbon tax depends on EU decisions;
- Aid solutions are planned to be introduced after the end of the epidemic, aiming at "restarting" the business.

