

**VAT ON EXPENSES ASSOCIATED WITH DIVIDEND PAYMENT PROCESS  
IS NOT RECOVERABLE**

We wish to alert to you a taxpayer-unfriendly judgement of the Supreme Administrative Court dated 8 December 2015 in case no. I FSK 1193/14 in relation to the right of a dividend payer to recover VAT charged to him on supplies associated with the dividend payment.

The case involves a stock company which incurred certain expenses to process its dividend payment, including consulting fees (compliance advice), court proceedings (e.g. issues with shareholder's right to dividend), financial market services, courier services and postal services. According to the company, such expenses are associated with the general functioning of its business and as such are indirectly related to its taxable transactions. Consequently, the company should be entitled to recover VAT associated with the expenses.

The Finance Minister's tax ruling denied the company the right of deduction, as did the Provincial Administrative Court in Łódź to which the company appealed from the ruling. That outcome was affirmed by the Supreme Administrative Court, which held that payment of dividend does not affect the price of Company's goods or services and there is not any, not even indirect, relationship between Company's taxable transactions and the expenses it incurred to process its dividend payment.

If this issue pertains to your business and you are interested in our assistance, please contact your WTS&SAJA consultant or our office.

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