

CHANGES TO VAT ACT

This is to let you know that the Polish Sejm enacted an amendment to the VAT Act on 16 November 2016. The most important changes are described below.

- Where a person receives supplies of goods under the reverse charge mechanism and supplies of services subject to Polish VAT from EU or third country suppliers, the person will be entitled to recover the input tax charged in this transaction, on condition the output tax will be reported in his tax return **within a maximum of three months from the end of the month in which the tax became chargeable with respect to these goods.**
- If the person reports the output tax later than as prescribed by the new law (3 months), he can add it to his overall input tax by reference to that period of account for which the deadline for the filing of tax returns is still pending.

One practical effect of that is that where a reverse charge transaction is reported after the three-month time limit, input tax and output tax will be reported in VAT returns for different periods. This can lead to arrears of tax and interest.

- If a taxable person has for six consecutive months or two consecutive quarters filed VAT returns in which he reported no sales or purchases with deductible VAT, he will be struck off the register of non-exempt taxable persons.
- **Quarterly VAT reporting will be unavailable for any taxable persons other than small businesses.**
- VAT surcharge (additional tax of a penal nature) will be introduced to equal **20%, 30% or 100%** of the amount by which VAT due has been understated or VAT recoverable (whether through a refund or carry-forward) has been overstated.

The changes are scheduled to become law on 1 January 2017. The new enactment has been transmitted to the Senate for further processing.

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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