SPLIT PAYMENT AS OF 1 JULY 2018

This is to let you know that there is still on-going work on the draft law to amend the VAT Act to introduce the split payment mechanism. The date for the new mechanism to go live has been recently rescheduled to 1 July 2018 but the general mechanics behind the scheme have not changed over what we described in our Newsletter 39/2017.

Split payment will be applicable only to payments made in PLN via PLN accounts operated by Polish banks. The bank will automatically open a VAT account as a subaccount under the account(s) already held by the business.

Split payment will be a voluntary mechanism but the choice whether or not to apply it will generally be at the discretion of the invoice recipient. If so instructed by the recipient, the bank will split the payment amount (a dedicated payment advice) so that VAT will be transferred by the bank to invoice issuer's VAT account. The issuer will not be free to use the amount of VAT so received as he pleases. In general, the VAT account may be used to pay VAT charged on invoices, pay VAT to tax offices, etc.

In this situation, businesses are advised to consider if and how the split payment mechanism may affect:

- their liquidity (especially in the case of invoice issuers),
- their contracts,
- their procurement and payment procedures,
- the operation of their accounting system.

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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