

Poland proposes mandatory split payment process

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The Polish Government plans to introduce an obligatory split payment process for certain supplies of goods and services (and has already received a respective draft consent from the European Commission). Under a split payment arrangement, the customer's payment for a supply is split between the value amount (paid to the supplier) and the value-added tax (VAT) amount (paid to the tax authorities) Split payment procedures may be introduced as early as 1 March 2019.

This new process will result in significant changes in settling VAT invoices that will impact certain taxpayers including:

1. Those currently applying a reverse charge (metals, waste, electronics, construction services)
2. Those covered by joint and several liability (e.g., fuel)
3. Other taxpayers, currently not recognized as trading in so-called "sensitive goods" (e.g., automotive parts, coal)

The changes would also impact taxpayers purchasing the above goods and services.

The impact of these changes include the need to:

- ▶ Verify the obligation to apply a split payment as a purchaser and supplier, verification of upcoming changes to the VAT rates matrix and considering applying for Binding Tariff Information.
- ▶ Adapt ERP systems to perform correct bank transfers, estimating costs of implementation of changes, and organizing training for employees.
- ▶ Plan cash flow and control cash resources (many taxpayers have already started forecasting the impact of split payment on their cash flow).

For additional information with respect to this Alert, please contact the following:

EY Doradztwo Podatkowe Krupa sp. k., Warsaw

- ▶ Dorota Pokrop dorota.pokrop@pl.ey.com
- ▶ Tomasz Wagner tomasz.wagner@pl.ey.com

EY Doradztwo Podatkowe Krupa sp. k., Gdańsk

- ▶ Wojciech Kieszkowski wojciech.kieszkowski@pl.ey.com

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