

**HMDP**

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# NEW PRINCIPLES OF VAT SETTLEMENT FROM PASSENGER CARS

The amendment of VAT act binding since 01.04.2014

Used in „mixed“ mode, there is possibility of usage for other purposes than economic activity

**Car vehicle in scope of art. 86a**

engine vehicle traveling at least 25 km/h, total weight below 3,5 t,

Used exclusively for the economic activities

Adapted for the carriage of at least 10 people, including driver

# GENERAL RULE OF ART. 86A UST.1

- ▶ Car vehicles are used in mixed mode
- ▶ Taxpayer is entitled to 50% deduction of input VAT from expenses connected with :
  - ▶ Purchase
  - ▶ Installment, rent- lease, tenancy, leasing
  - ▶ Repairs and exploitation
  - ▶ Fuel
- ▶ No record of vehicle mileage
- ▶ Lack of agreement's registration
- ▶ No necessity to inform tax office about how car is used



**Exception!** Purchase of equipment, whose character tells of usage exclusively for economic activities (eg. taximeter in taxi) – 100% deduction

# 100 % DEDUCTION – WITHOUT LIMITATIONS

- ▶ Car adopted to the carriage of at least 10 people, including driver
- ▶ 100 % deduction – from all costs
- ▶ Lack of record
- ▶ Lack of rigor associated with partial usage for purposes other than economic activity
- ▶ Lack of information to the tax office
- ▶ From documents issued under traffic law-such purpose should arise

Used exclusively for economic activity

**Principles** introduced by entrepreneur preclude possibility of usage for purposes other than economic activity

**Construction** precludes usage to other purposes, or this use is irrelevant (art. 86a ust.9)

Destined exclusively for **resale, lease, leasing**

# PRINCIPLES

## ART. 86a

- ▶ Entrepreneur introduces rules, regulations (bye-laws) precluding possibility of car's usage for purposes other than economic activity
- ▶ Entrepreneur runs detailed record of car mileage, containing all elements mentioned in the provision, consistent with position of car's counter

## Explanations of MF

- ▶ Existence of control system(eg. GPS) regarding compliance of bye-laws
- ▶ Reintegration of the employee's income—is not sufficient ground for full deduction
- ▶ Lease for the employee – if market prices, and lease is basic (?) activity of the taxpayer
- ▶ Activity in place of residence and one car – precludes right to full deduction

# PRINCIPLES

Full deduction – from  
all expenses since  
01.04

Record – since first day  
of usage exclusively for  
purposes of economic  
activity

Notification  
VAT 26  
within 7 days  
since first expenditure

The risk of discrediting  
full deduction–  
backward since  
01.04.2014

# Construction

## ART. 86a

- ▶ Vehicles mentioned exhaustively in the provision
- ▶ Character confirmed in additional technical examination (at the latest to 30.06.2014)
- ▶ Full deduction since 01.04
- ▶ Lack of record
- ▶ Lack of risk associated with usage for the purposes other than economic activity



# RESALE, LEASE, LEASING

## ART. 86a

- ▶ Destined exclusive in this purpose
- ▶ Full deduction
- ▶ Lack of record (unless temporarily in other purpose eg. test drives)
- ▶ If it constitutes activity of entrepreneur

## Explanation of MF

- ▶ The best solution is lack of vehicle's registration on entrepreneur before making sale
- ▶ It cannot be used for purposes other than economic activity

# VAT 26

- ▶ Submitting in appropriate time determines the right to deduct tax in full amount
- ▶ Information about commencement of usage vehicle exclusively for economic activity, or change manner for mixed mode
- ▶ 7 day deadline since day of incurring first expenditure, for exclusive usage
- ▶ The deadline before the change of car's usage manner for mixed mode
- ▶ The failure to meet the deadline gives the right to full deduction only from the date of submitting VAT 26
- ▶ The possibility of adjustment only in relation to purchase of the car, not to working cost
- ▶ Sanctions from Fiscal Penal Code

The image shows a sample of a Polish VAT-26 form. The title is 'INFORMACJA O POJAZDACH SAMOCHODOWYCH WYKORZYSTYWANYCH WYŁĄCZNIE DO DZIAŁALNOŚCI GOSPODARCZEJ'. The form is divided into several sections, including 'DANE IDENTYFIKACYJNE PODATNIKA' (Taxpayer Identification Data) and 'DANE IDENTYFIKACYJNE POJAZDU' (Vehicle Identification Data). It contains various fields for entering information such as the taxpayer's name, address, and vehicle details. The form is a standard document used for claiming VAT deductions on car purchases.

# FUEL

- ▶ limitation to 30.06.2015 for passenger cars „without bar“ used in „mixed“ mode

**Absolute ban on VAT deduction .**

# Temporary provisions

- ▶ **AQUIRED RIGHTS** – only for leased cars:
  - ▶ Before 01.04.2014 – and agreement did not change after 01.04
  - ▶ Rendered before 01.04.2014
  - ▶ Which had the right to full deduction of VAT
  - ▶ Agreement was registered to 2 May inclusive
- ▶ The agreements with limited right to deduction – fall under new principles– so division on „mixed” mode or exclusive
- ▶ Limitations and new principles in relation to working cost apply to all cars irrespectively, when they were purchased

# SALE

- ▶ ATTENTION !!! – elimination of exemption for sale of cars, with limited right of VAT deduction
- ▶ The new system of input tax adjustments in case of,
  - ▶ Change of car's usage manner
  - ▶ Salemade during the adjustment period – 60 months  
(12 months for vehicles of value not exceeding 15.000 PLN)

!!Proportional adjustment to the remaining period of adjustment!!

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## CONTACT DETAILS



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