



PASSION *for*
TECHNOLOGY



Ideas for changes in Polish law

The aim of this document is to signalize the difficulties and obstacles that service providers in Poland, like Sii, have to face and to propose changes in Polish law. We believe that good and clear tax rules can encourage companies to invest in Poland, e.g. create new workplaces and recruit new people. Especially, due to the fact that too high and non-competitive taxes discourage such investments.

Sii Poland
Warsaw 2017

TAX LAW

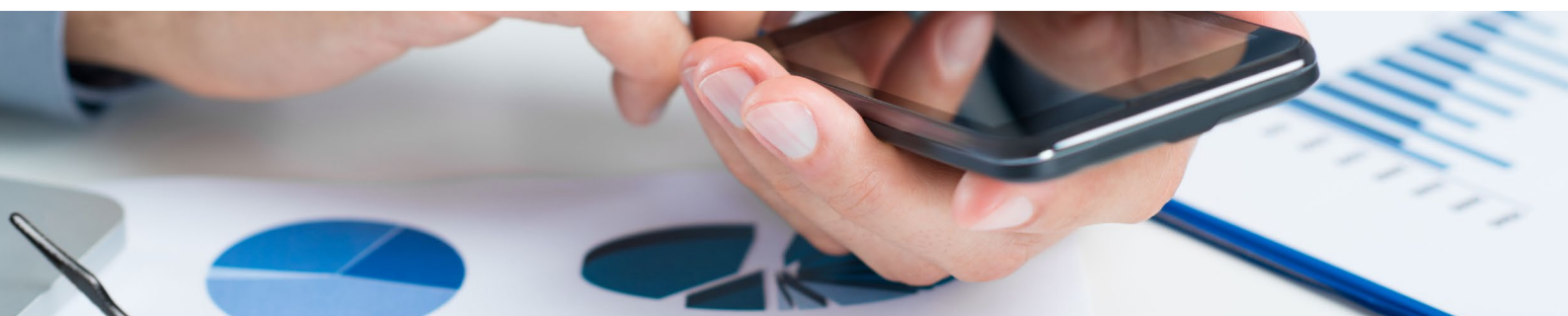
| DIFFICULTIES | PROPOSED CHANGES |
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| I. Cash register | |
| 1. The requirement of having a cash register, even when all transactions with natural persons are done via bank transfer and thus without the use of cash. | 1. Non-obligatory cash register for companies that only use non-cash transactions (transfers). |
| II. VAT | |
| 1. Lack of possibility of making a VAT deduction for alcohol consumed, for example during business meetings – when drinking a glass of wine is a customary practice in European countries. | 1. VAT deductibility on catering services (including alcohol), for business meetings. |
| 2. Lack of possibility of including a corrective invoice in the current period. | 2. The possibility of including a corrective invoice in the month of its issuing. |
| 3. The abolition of the possibility of VAT settlement on a quarterly basis, which makes work in financial departments very difficult. | 3. Restoring the possibility of VAT settlement on a quarterly basis and introducing the possibility of transferring the UCF (JPK) also every quarter. |
| 4. The provision of article. 88 (1) of section 4 of the VAT Act says about the lack of the right to deduct input tax in respect to accommodation and catering services (excluding the acquisition of ready-made meals for passengers by taxpayers providing passenger services). Currently, having a meal (not showing signs of lavishness), with a contractor is a norm in the business world. | 4. Introduction of changes ensuring an accurate deduction of VAT on catering services not fitting the concept of representation costs (lavishness). The possibility of deducting VAT from accommodation services. |
| III. CIT | |
| 1. No possibility of including the PFRON (State Fund for the Rehabilitation of the Disabled) contributions in the company's costs. | 1. The possibility of including PFRON (State Fund for the Rehabilitation of the Disabled) costs in the company's tax costs. |
| 2. No clear regulations which would allow to include fiscal receipts and/or scans of documents in the tax costs. | 2. The possibility of including fiscal receipts in the company's tax costs – if obtaining an invoice/ bill is not possible. The possibility of including scans of documents (invoices) in the company's tax costs if the company has an electronic document workflow procedure. |
| 3. Lack of unanimous regulations in CIT and the Accounting Act, concerning differences in exchange rates. Creation of artificial costs and financial income. | 3. Unification of provisions in the Accounting Act and CIT (in terms of balance and taxes). |

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| <p>4. Even though the Company paying the dividends, pays an income tax (of 19%), when the dividend is payed, the stakeholders – natural persons, are obliged to pay a lump sum income tax. As it is a lump sum tax, there is no possibility of including the cost of earning income. Meanwhile, (after fulfilling certain criteria), a different company (a legal entity), which is a stakeholder, is exempt from the tax.</p> | <p>4. Unification of the provisions of law for natural persons and legal person and an exemption from the income tax for both entities, after certain requirements have been met, e.g. a natural person is an employee and a resident in the country in which the company employing him/her pays the taxes.</p> |
| <p>5. The duty of obtaining the original of the tax residency certificate from providers from abroad. In most cases contractors cannot understand why we demand the original document, and not, for example, a scan of the document.</p> | <p>5. The possibility of receiving a scan of the document, sent to a separate company e-mail address, as it is done with e-invoices.</p> |
| <h3>IV. Other</h3> | |
| <p>1. Expenses for car rental from car rental companies. The Supreme Administrative Court of Poland assumes that in the case of such rentals, the limits related to mileage do not apply and there is no need of keeping a vehicle mileage registry.</p> | <p>1. Adapting the provisions relating to car rental to the decisions of the Supreme Administration Court of Poland (NSA).</p> |



PROPOSED CHANGES – GENERAL

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| <ol style="list-style-type: none"> 1. Bigger support of Tax Officers for the Taxpayer. 2. Appointing one person to a company by the Tax Office, which could make the contact and sorting out arising issues easier. 3. The possibility of receiving a confirmation of the balance for the PIT, CIT and VAT taxes from the Tax Office. | <ol style="list-style-type: none"> 4. Standardization of judicial decisions and individual interpretations. Currently, in spite of holding a court verdict, the Taxpayer does not have the certainty that the problem won't be interpreted in a way disadvantageous to him. |
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WORKFORCE POLICY – DIFFICULTIES

1. More and more restrictive acts and interpretations concerning foreigners' employment:

- Authorities' policy is getting stricter.
- Longer time needed to complete the process of employment, the whole process of getting permissions delays: applications have been rejected and we are asked for new documents.
- Regulations are not very precise and some clerks could interpret them in different ways, with more difficult path sometimes.

2. Obligation of adding to employees' salaries all forms of recognition of their hard work and commitment. Small prizes, rewards (e.g. t-shirts, books) should be exempt from tax, e.g. up to the amount of 300 PLN.

3. Very low per diem for employees in domestic business trips – 30 PLN.

4. The employee must provide the original invoice or bill instead of e.g. a receipt or scan of the invoice.

5. Inadequacy of Polish standards towards other EU countries, e.g. the possibility of providing receipts for business expenses or a business meeting with a glass of wine for employees.

6. Big charges for the company and employees – taxes and social security contributions.

7. Secondment – lack of professional and thorough consulting services on the market. Each situation has to be verified individually, separately for each country due to additional internal regulations.

8. Foreigners – residence and work permit processes are extended in time by the authorities. Each case takes months to be finished. A long list of obligatory documents for each individual.

9. Contact with state offices, such as Tax Office, Social Security Office (ZUS), National Labor Inspectorate (PIP), Office for Foreigners, or Liaison offices – difficulties with obtaining clear answers to questions. It happens that two institutions give contradictory answers to the same question. Bureaucracy is overwhelming; short deadlines for submitting documents vs. long time of waiting for an answer. Sometimes answers are sent shortly before the deadline expires. Lack of one assigned specialist.



WORKFORCE POLICY – PROPOSED CHANGES



1. Assigning a dedicated administrator to take care of the company in order to accelerate the clarification of many issues.
2. Creating a helpline to get advice / answers about any subjects which concern two different offices. Receiving responses faster.
3. Possibility of obtaining answers from offices in an electronic/paper form and using them as basis for any type of control.
4. On-site verification of all documents submitted to offices, in order to confirm their completeness and receive information on what needs to be corrected or what additional documents/ information should be submitted.
5. Standardization of rules referring to the form in which the documents are to be submitted to the offices.

GIODO* POLICY

| DIFFICULTIES | PROPOSED CHANGES |
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| <p>The necessity of forcing the users with access to sensitive data, to change passwords every 30 days, which:</p> <ul style="list-style-type: none"> • Causes a lot of problems when the password is not changed on time. • Causes more threats as it often results in storing the often-changing password in an insecure place. • Additional labor cost for Internal IT to handle the process. | <p>No obligation to change the password periodically or an extension of the period after which the change is obligatory to e.g. 120 days.</p> |

*General Inspector for Personal Data Protection

SUMMARY

We believe that changes proposed in this document could facilitate business development and encourage entrepreneurship and investments in Poland, which would help the country grow and build its strong economic position.



Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gregoire Nitot'.

Gregoire Nitot  *Founder and CEO*