



New
Direction

A large, central puzzle piece is highlighted in blue and contains the letters 'VAT' in white, bold, sans-serif font. It is surrounded by several other grey puzzle pieces, all set within a circular frame that has a serrated edge, resembling a coin or a seal.

VAT

VAT GAP

FORMS OF EFFECTIVE PREVENTION

WERONIKA DUMIN

New Direction



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INTRODUCTION

VAT (value-added tax), also known as tax on goods and services, is the Polish equivalent of value-added tax, which is regulated by the Directive 2006/112/EC of 28 November 2006 on the common system of value added tax. This tax was introduced in Poland by the act of March 11, 2004 on tax on goods and services (Pol. Ustawa z dnia 11 marca 2004 r. o podatku od towarów i usług).

VAT is the largest source of state budget revenue. The size, and at the same time, stability of revenues from the tax on goods and services significantly affects the condition of the country's finances and the balance of funds allocated to public services, enabling the state to perform its functions.

The tax gap - the difference between theoretical and actual VAT revenue - is defined by two interrelations: the policy gap and the compliance gap. The policy

gap is the difference between the actual tax revenue and the revenue that would be received by the state in a tax system that does not make exceptions to the general rule (i.e. that does not take into account the reduction of the rate for particular groups of goods and services). The compliance gap, on the other hand, represents the dissonance between actual tax revenue and "potential revenue assuming that tax payers fully meet their tax obligations under the current tax system" (which would be the case if all individuals and legal entities filed their returns properly).

The purpose of this report is to present effective measures to reduce the tax gap, which are being successfully implemented in Poland since 2015. Legislative, administrative and business changes may prove helpful to tax institutions of countries that are facing the problem of increasing VAT gap today.

1

THE TAX GAP BEFORE 2015

Since 2008, there had been a significant increase in the VAT gap resulting from the development of the grey market and fraudulent refunds in EU internal transactions. As the gap between potential and actual tax revenue widened, the state was faced with increasing problems in fulfilling its basic functions.

Experts of the European Parliament, in turn, drew attention to the problem of financing terrorist activities with funds from tax fraud. According to the data presented by the TAX 3 commission, radical militant groups could receive up to EUR 420 million from EU state budgets every year.

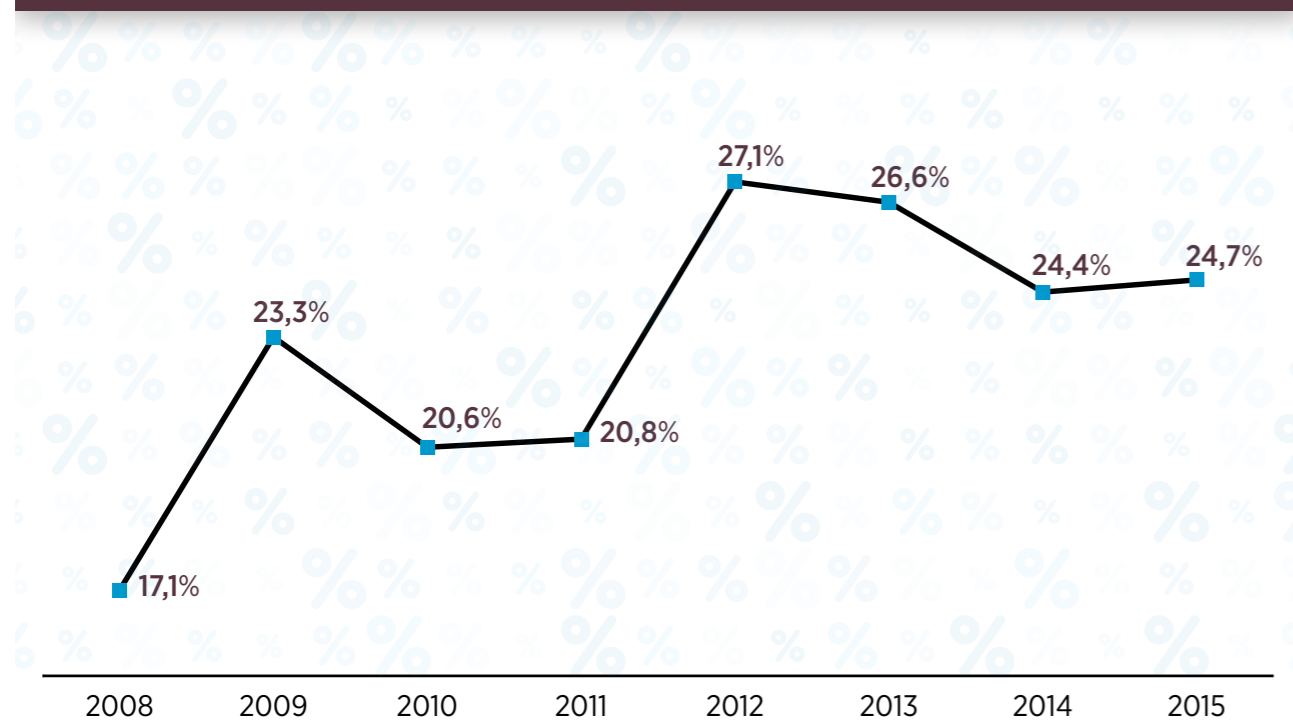
Through so-called carousel schemes, criminal groups created fake trade in goods, documenting it with false invoices. As a result of such actions the State Treasury lost billions of euros, and honest entrepreneurs faced fictitious large competitors. The concept of the carousel was described by Tomasz Pabiański and Wojciech Śliż in "Przegląd Podatkowy" in 2007:

„The expression “carousel” refers to the way in which the sold goods circulate between the various actors involved (knowingly or not) in the criminal supply chain. In particular, a tax carousel occurs when, as a result of several transactions, the goods “return” to the first link in the chain”¹.



¹ T. Pabiański, W. Śliż, *Zorganizowane działania przestępcze wykorzystujące mechanizmy konstrukcyjne podatku VAT*, cz. 1, „Przegląd Podatkowy” 2007, nr 1, p. 20.

CHART NO. 1. VAT GAP IN POLAND IN 2008-2015 (IN % VTTL)

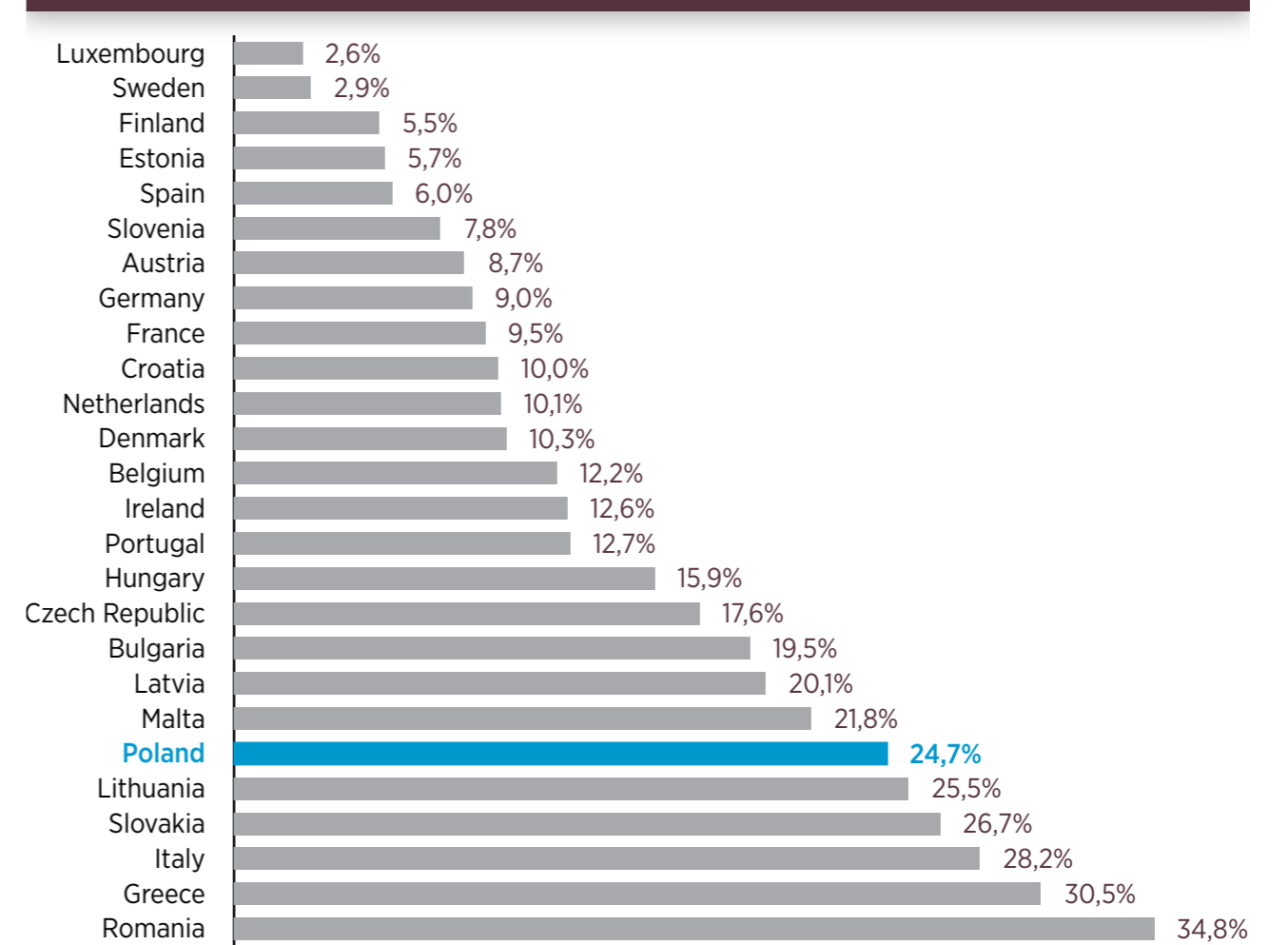


Source: Grzegorz Poniatowski, Mikhail Bonch-Osmolovskiy, Adam Śmietanka, *Study and Reports on the VAT Gap in the EU-28 Member States: 2020 Final Report*, Centrum Analiz Społeczno-Ekonomicznych 2020, s. 106.

The chart above shows the widening of the VAT gap in Poland from 2008 to 2015 as a percentage of VTTL (VTTL stands for “potential VAT total tax liability according to the law”)². From 17.1% in 2008, the tax gap in Poland expanded all the way to 24.7% in 2015.

This was well above the European average. In fact, in 2015 the average was 12.8%, almost half as much as in Poland.

CHART NO. 2. VAT GAP IN EU MEMBER STATES IN 2015 (IN % VTTL)



Source: Grzegorz Poniatowski, Mikhail Bonch-Osmolovskiy, Adam Śmietanka, *Study and Reports on the VAT Gap in the EU-28 Member States: 2020 Final Report*, Centrum Analiz Społeczno-Ekonomicznych 2020, s. 106.

Chart no. 2 provides a comparison of the size of the VAT gap in selected member states of the European Union. In 2015, Poland was ranked sixth from last. Only Lithuania, Slovakia, Italy, Greece and Romania

performed worse. The smallest tax gap, among EU member states in terms of VAT, belonged to Luxembourg - 2.6% VTTL.

² T. Mazur, D. Bach, A. Juźwik, I. Czechowicz, J. Bieńkowska, dz. cyt., p. 6.

POLAND'S EFFORTS TO REDUCE THE VAT GAP

In view of the intensifying problem of a widening tax gap, the Polish government presented a VAT tightening program for 2015-2018 developed as a part of the Strategy for Responsible Development (Pol. Strategia na rzecz Odpowiedzialnego Rozwoju). In 2016, the Ministry of Finance set a target of reducing the gap to around 15% over the next three years. This goal was achieved earlier.

Success in tightening up the VAT system is a result of combining an improvement in the Polish economy with work related mainly to legislative and administrative changes and the development of cooperation with representatives of the business sector. The above-mentioned actions should be analysed jointly, due to the fact that the coordination of changes in the tax administration together with the support from the legislative branch and business cooperation enabled a significant reduction in the VAT gap in Poland.

In the context of the legislative sphere, among the effective measures were:

- Existing Instruments:
 - reverse charge,
 - joint and several liability for VAT.
- Tax penalties::
 - interest on unpaid tax,
 - VAT penalties,
 - Tax-criminal penalties and criminal prosecutions,
 - extended confiscation.

- New legislative initiatives::
 - fuel package and energy package,
 - Standrad Audit File ab. SAF (Pol. Jednolity Plik Kontrolny, ab. JPK)
 - split payment mechanism:

In terms of administrative measures, the following should be mentioned:

- National Tax Administration ab. NTA (Pol. Krajowa Administracja Skarbowa, ab. KAS)
- VAT accounting and documentation.
- NTA analyses:
 - SAF analyzer,
 - pauction portals.
- NTA cooperation with businesses by means of:
 - Key Subjects Service Centre ab. KSSC (Pol. Centrum Obsługi Kluczowych Podmiotów, ab. COKP),
 - centralization of services,
 - warnings and instructions on the website of the Ministry of Finance
 - counterparty verification,
 - the "Secure Transaction" campaign.

Cooperation with business representatives resulted in the introduction of:

- MinFinTech competition
- ICT System of the Clearing House (Pol. System Teleinformatyczny Izby Rozliczeniowej, ab. STIR).

Legislation

EXISTING INSTRUMENTS

Reverse charge

The reverse charge mechanism is a tool for shifting the payment of VAT specified in the catalog of goods and services from the supplier to the purchaser. Thanks to this regulation the double obligation of payment was eliminated, thus removing the circulation of goods as a carousel scheme. The mechanism is effective but of short duration and limited scope. It also does not exclude abuses in terms of sales of goods in the grey market.

The introduction of the reverse charge alone does not eliminate VAT fraud. Extending the reverse charge mechanism by the Ministry of Finance to more categories of goods resulted in shifting the interest of criminal groups to other categories. In 2015, the mechanism covered a part of the electronic equipment market and cell phones. At that time, the number of irregularities in accounting in electronic equipment specified by the regulation decreased, whereas it increased in products not covered by it, i.e. hard drives or processors.

Joint and several liability for VAT

Another mechanism used in EU member states aimed at eliminating tax fraud is the joint and several liability regulation (Article 205 of Directive 2006/112/EC). The regulation obliges the entrepreneur to pay the tax in case of failure to pay VAT by the contracting party. The mechanism, which covers industries most vulnerable to fraud, forces businesses to check potential business partners more thoroughly.

However, the seller of the goods may pay a guarantee deposit, in which case the joint and several liability regulation is excluded. Fraudsters who provide such a deposit are given the status of a trusted party. Profits from fraud are often higher than the amount of the deposit, and the deposit can be recovered if the competent authorities have not initiated an audit or any tax proceedings.

TAX PENALTIES

Interest on unpaid tax

Effective January 2016, the interest modifiers became effective on unpaid tax. The modifiers distinguish between:

- taxpayers who noticed a mistake and corrected it within 6 months after filing the return and paid the overdue tax within 7 days - the interest rate is reduced by 50% of the basic rate of interest for late payment,
- taxpayers whose irregularities were proven by the tax administration as a result of its inspection procedures - in this case the interest rate amounts to 150% of the basic interest rate for late payment.

VAT penalties

In January 2017, the possibility of imposing the so-called VAT penalty on the taxpayer was reintroduced. The Internal Revenue Office (Pol. Urząd Skarbowy), discovering an underpayment of tax or an overstatement of the amount of the refund, has the right to impose a penalty of 30% of the missing amount on the taxpayer. The taxpayer must pay 100% of the unpaid amount, if the declared amount results from an accounting document issued by a non-existing entity or recording non-existent transactions or incorrect amounts.

Tax-criminal penalties and criminal prosecutions

Counterfeiting, altering or issuing false invoices result in losses of hundreds of millions of zlotys annually. Therefore, the penalties for issuing or using false accounting documents, i.e. participation in VAT carousels, have been tightened. Crimes that are particularly dangerous to the state, i.e. falsification of invoices, are punishable under the penal code with up to 25 years of imprisonment (applies to frauds of more than PLN 10 million).

Extended confiscation

Extended confiscation, which makes it easier to secure assets derived from VAT fraud, was introduced in April 2017. A person who has been sentenced to more than five years' imprisonment as a result of tax fraud, is required to prove the legitimacy of the assets acquired in the last five years. The instrument also allows seizure of assets of third parties to whom the convicted person has transferred property free of charge or at a price below its market value.

NEW LEGISLATIVE INITIATIVES

Fuel package and energy package

Until the introduction of the fuel package and the energy package (second half of 2016), tax evasion, arising through the use of the so-called “disappearing entity” or carousel transactions, was a growing problem for the state. In March 2017, the National Tax Administration (NTA) was established - an institution that was supposed to focus on the sectors where extortion is most common (primarily fuel trading). Under the fuel package, only entities registered in the country may engage in fuel trading in Poland. In addition, buyers must pay VAT within 5 days of bringing the fuel to Poland. In addition:

„The regulation was supplemented by the so-called Transport package of April 2017, mandating digital registration of transport of “sensitive” goods, including fuel, alcohol and dried tobacco. Its effect is SENT - a system for monitoring the road transport of goods, which allowed the tax collectors to observe live fuel transport on the territory of Poland. The system will be also supplemented with geolocation of traffic with the use of GPS devices installed on trucks.”³

Standrad Audit File

Monthly reporting by means of the Standard Audit File (SAF), which records purchases and sales of VAT, has become an obligation:

- as of July 1, 2016 for large businesses (those who keep records using computer programs),
- as of January 1, 2017 for small and medium-sized businesses (keeping records by means of computer programs),
- as of 1 January 2018 for all active VAT taxpayers.

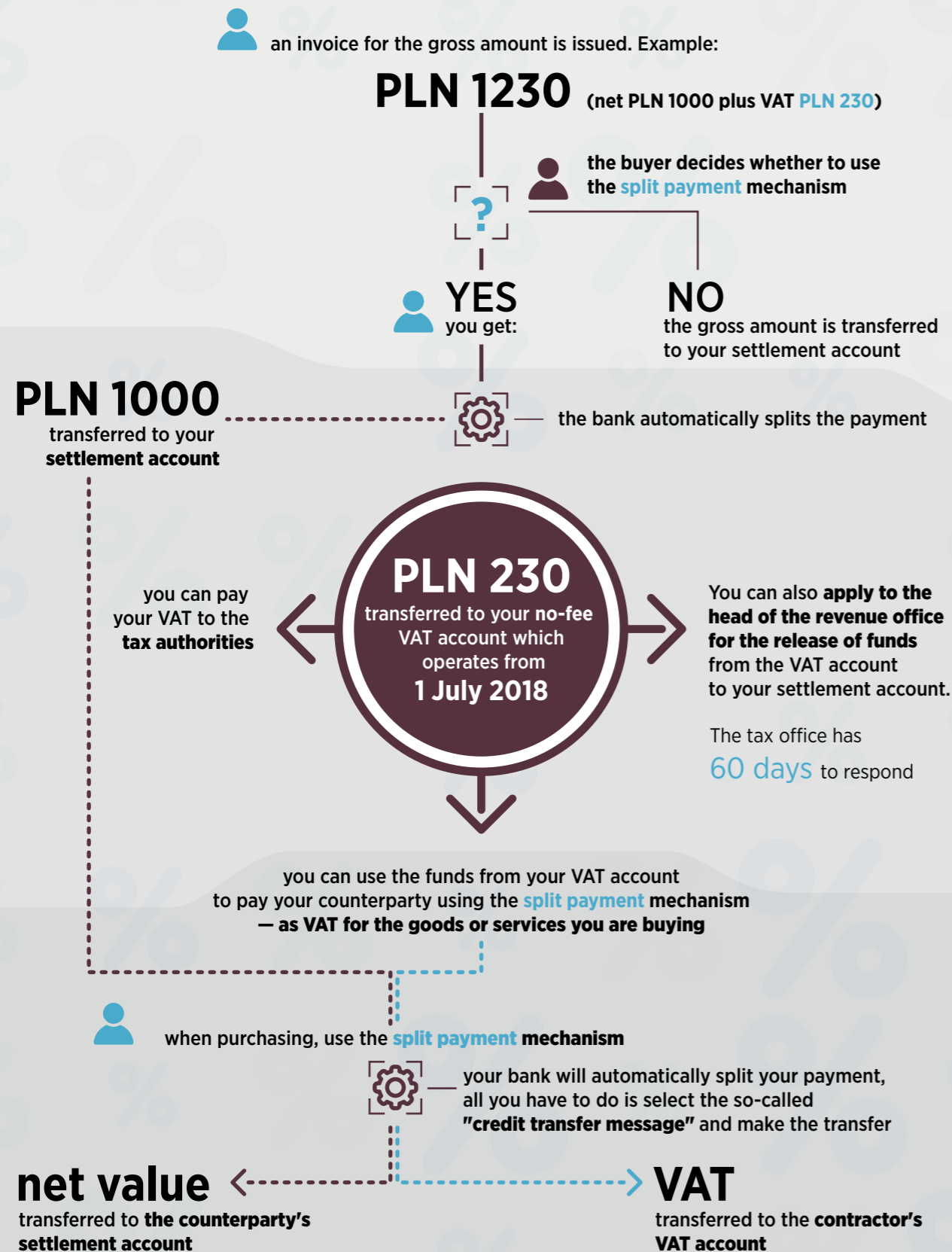
SAF, thanks to standardized layout and format (XML), became a tool facilitating advanced data analysis. Structured data enables the verification of declarations in terms of correctness and thus accelerates the process of refunding overpayments. In case of detected irregularities, the taxpayer receives a message (SMS or e-mail) about the need of correction (without any negative consequences).

Split payment

The split payment mechanism was introduced in Poland on July 1, 2018. It divides the payment for a purchased service or product into a net amount, which goes to the seller's regular account and the tax, which is transferred to the VAT sub-account of that account. The use of the mechanism is voluntary, but it effectively limits the benefits associated with carousel transactions. The use of the split payment is associated with benefits for the taxpayer, including not being subject to joint and several liability, penalty rate or increased interest for late payment. As for the seller, he will entail for example faster reimbursement of tax to the VAT sub-account.

³ J. Sarnowski, P. Selera, *Zmniejszenie luki VAT w Polsce w latach 2016-2017. Przyczyny – środki – dalsze perspektywy*, Polski Instytut Ekonomiczny, Warszawa 2018, p. 17.

DIAGRAM 1. SPLIT PAYMENT MECHANISM



Source: *Mechanizm podzielonej płatności*, [na:] <https://finanse-arch.mf.gov.pl/web/wp/pp/bezpieczna-transakcja/mechanizm-podzielonej-platnosc> [dostęp: 15.04.2021 r.]

Administration

NATIONAL TAX ADMINISTRATION

One of the objectives of the Strategy for Responsible Development was the modernization of the tax system. For this reason, the National Tax Administration (NTA) was established in March 2017 with the mission to “ensure stable and efficient public finances and high quality of services provided”⁴. The institution consolidated the tax administration, fiscal control and the Customs Service.

Priority activities undertaken by NTA include: seeking ways to tighten the tax gap without increasing or even decreasing the number of controls of businesses, as well as seizure of assets of persons who have committed tax offences (used ultimately to cover their tax arrears).

VAT ACCOUNTING AND DOCUMENTATION

Changes in the way VAT is accounted for and documented have been initiated in relation to work on reducing the VAT gap. Such changes include:

- Quarterly settlements - providing VAT settlements on a three-month basis has been limited only to small businesses (sales in the previous year up to EUR 1.2 million). In the first year of operation, the taxpayer is obliged to settle VAT on a monthly basis.
- Accelerated refunds - limitation of entities eligible for accelerated overpayment refunds (from 60 to 25 days) to taxpayers who settle in Polish banks and did not exceed the limit of declared excess tax in the previous year. In the first year of operation, the taxpayer can not apply for accelerated refunds.
- Online returns - from 2017, companies working with other EU countries and trading in goods identified as those most commonly used to defraud tax refunds, and from 2018 all businesses, are required to file returns digitally.

NTA ANALYSES

SAF analyzer

In June 2016, the Ministry of Finance established a company called „Critical Applications Ltd” (Pol. Aplikacje Krytyczne). The company, in cooperation with the NTA analytical center, was to develop IT solutions to facilitate the analysis of incoming documentation. This led to the creation of the SAF analyzer, which helped identify fictitious transactions (by collecting data from the taxpayer register, tax returns and SAF). Reports with identified errors are sent to the revenue office of the potential offender. The taxpayer receives a request for correction - if they fail to do so, it is likely that an audit of their activity will be organized. It is also planned to “send notifications to businesses with warnings about the unreliability of the potential counterparty”⁵.

Auction portals

Auction portals are under constant supervision of the tax administration in Poland due to presence of bids regarding sale of goods, e.g. cell phones or tablets, below the market price. Such scams may have two different causes:

- sale of “carousel electronics” - a trader offering devices that have previously been subject to carousel transactions gets rid of them before disappearing from the market (does not apply to goods covered by the reverse charge procedure),
- use of the reverse charge mechanism - electronics are purchased by a dishonest trader under the reverse charge mechanism and then sold at a lower price than that offered by an honest competitor; this is achieved by unauthorized use of the VAT procedure, utilizing the markup for the sale of new goods.

⁴ *Strategia KAS*, [na:] <https://www.gov.pl/web/kas/strategia-kas> [dostęp: 15.04.2021 r.]

⁵ J. Sarnowski, P. Selera, *Zmniejszenie luki VAT...*, dz. cyt., p. 23.

NTA COOPERATION WITH BUSINESSES

As part of the development of mechanisms aimed at counteracting tax fraud, NTA has developed cooperation with businesses. Eliminating tax offenders is in the interest of both the State Treasury as well as honest companies, since fraud distorts competition on the market.

Key Subjects Service Centre (KSSC)

The Key Subjects Department of the Ministry of Finance, in cooperation with 20 specialized revenue offices, established the Key Subjects Service Center. The task of the program was to standardize the service of large taxpayers and build relationships between the tax authority and significant subjects.

Centralization of services

As part of NTA activities and centralization of services, National Fiscal Information (NFI) - a nationwide hotline - and a virtual window, where businesses can apply for individual interpretations were launched. The establishment of NFI was aimed at eliminating the situation in which different institutions issue different interpretations regarding the taxpayer's problem.

Warnings and instructions on the website of the Ministry of Finance

Another step aimed at deepening taxpayer-administration relations was to start publishing tax warnings and instructions on the official website of the Ministry of Finance:

„The warnings inform taxpayers about the possibility of being drawn into a tax carousel and about the legal consequences of operating in the grey market. In 2017, the warnings addressed, among others, irregularities in the transportation of lubricating oils, trade in fuels and electronics, and gaming on slot machines. The instructions present practical aspects of the application of tax law with illustrative examples.

Among the topics covered were rules for the application of the reverse charge of VAT in the construction sector.”⁶

Counterparty verification

In order to avoid starting cooperation with contractors defrauding VAT, NTA provided a set of instruments to help in verification of a potential business partner, i.e. a black list of VAT taxpayers (containing entities removed or denied entry to the register) and a catalog with helpful information on proper verification „Methodology for assessing the due diligence of buyers of goods in domestic transactions”. The register of active VAT taxpayers was upgraded and improved in terms of credibility, as it previously did not involve checking new companies for the capability to conduct declared activities and compliance with relevant data. Comprehensive verification of all newly registered businesses as well as previously registered ones has been launched.

Since 2018, there is a possibility for businesses to request the tax administration for information regarding a potential counterparty, specifically, to obtain information on whether the entity pays taxes and submits returns on time. As of September 1, 2019, NTA provides a white list of VAT taxpayers (list of information on VAT taxpayers) to enable businesses to effectively verify contracting partners. The list replaced previous “lists of VAT taxpayers: registered and unregistered, deleted and reinstated in the VAT register”⁷. The white list provides information about the taxpayer - whether he is currently an active taxpayer of VAT, whether he was refused entry, removed from the register or reinstated (along with the legal basis of the decision). Available data also allow you to confirm the bank account number of the taxpayer.

The “Secure Transaction” campaign

The educational campaign addressed to businesses entitled “Safe Transaction”, conducted by the Ministry of Finance and NTA, was launched at the end of June 2018. The issues addressed within its framework

concern the security of economic turnover, explain the scheme of operations of carousel transactions and present ways to protect businesses from unwitting cooperation within the framework of these fraudulent mechanisms. The first edition presented the proper actions in terms of diligence in business transactions and took a closer look at the issue of the split payment mechanism. In September 2019, the second edition of the campaign focusing on new instruments to tighten the tax system (mainly the list of VAT taxpayers) was implemented, as well as changes to the split payment mechanism. The intention of the campaign was to:

„explain the mechanisms of VAT fraud, specifying the details of VAT carousels and raise awareness of the role that can be played by an honest business, draw the attention of businesses to the role of due diligence in economic transactions and split payments as a key prerequisite for compliance with due diligence, inform about new instruments reducing VAT fraud, such as VAT split payments and VAT taxpayers' list”⁸

⁸ Kampania Bezpieczna transakcja, <https://www.gov.pl/web/finanse/kampania-bezpieczna-transakcja> [20.04.2021 r.]



⁶ Ibidem, p. 27.

⁷ Biała lista podatników VAT – nowe narzędzie do sprawdzania kontrahentów, <https://www.biznes.gov.pl/pl/aktualnosci/biala-lista-podatnikow-vat-nowe-narzedzie-do-sprawdzania-kontrahentow#9> [16.04.2021 r.]

Cooperation with business representatives

MINFINTECH COMPETITION

In 2017, the Ministry of Finance decided to organize the MinFinTech competition. In order to obtain new opportunities to reduce the VAT gap, a programming marathon (hackathon) was organized for programmers and analysts. The winners of the competition developed a program to help eliminate the VAT mafia in Poland. The success of the competition inspired the government to create the „GovTech Poland” program, under which not only the tax administration but also other public administration institutions, in cooperation with innovators, look for new solutions to emerging problems.

ICT SYSTEM OF THE CLEARING HOUSE

The ICT System of the Clearing House was created thanks to the cooperation of NTA and the banking sector. Since April 2018, the ICT system regulations have come into full force. The system processes data received automatically from banks and SKOKs (popular Polish credit union) and determines the risk indicator of utilizing a given institution for fraudulent purposes.

Prior to the launch of the ICT system, changes were made to the cash payment limit and to the Gambling Act. In 2017, the limit on cash payments that could take place between businesses was reduced from €15,000 to PLN 15,000. Totalizator Sportowy (the Polish Lottery), which is controlled by the state, was granted a monopoly in terms of distributing slot machines and conducting online gambling games. Due to the changes in the gambling market, controls were launched, as a result of which slot machines were withdrawn from 95% of establishments - “within a month of the regulation coming into force (April 2017), out of more than 10,000 casinos inspected, illegal activity was found only in 450”⁹.

9 J. Sarnowski, P. Selera, Zmniejszenie luki VAT..., dz. cyt., p. 30.



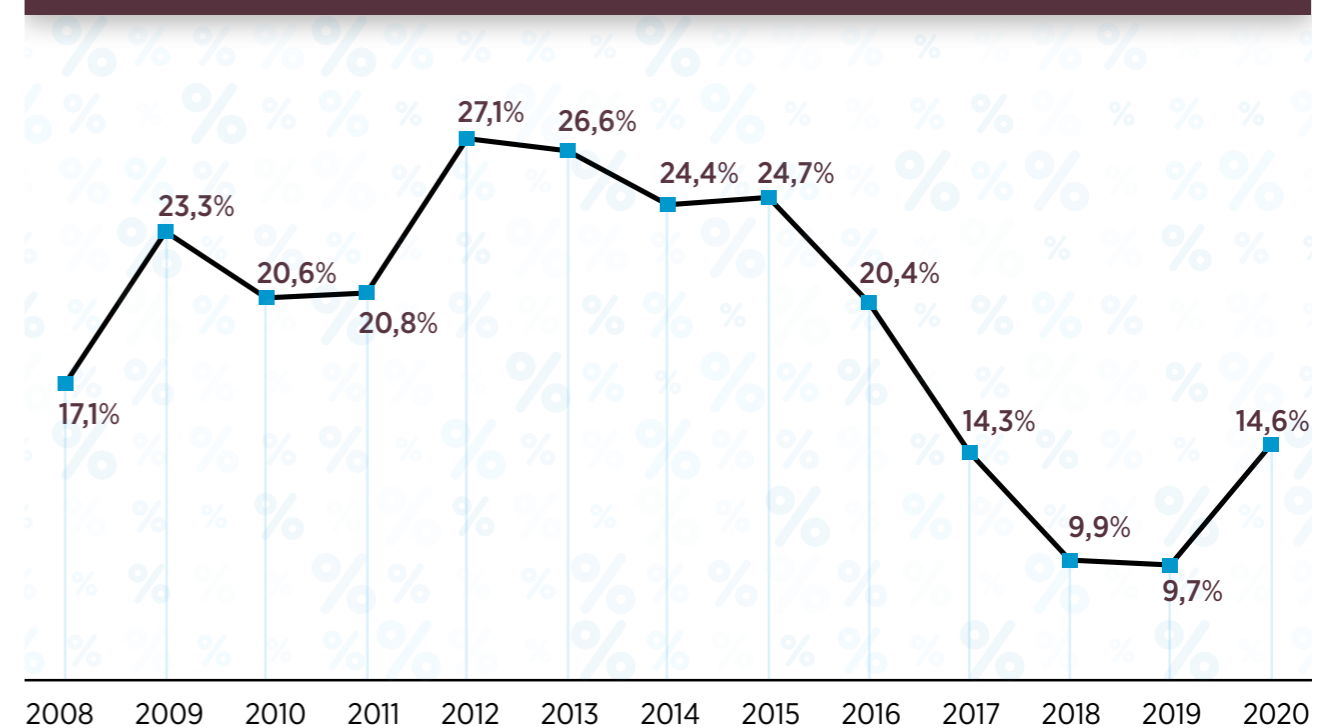
3

EFFECTS OF THE MEASURES

Thanks to intensive and well thought-out measures, Poland, with the sixth worst VAT gap score in 2015,

in 2016 -2019 increasingly tightened the gap between the correct and actual VAT revenue.

CHART NO.3. VAT GAP IN POLAND IN 2008-2020 (IN % VTTL)



Source: Grzegorz Poniatowski, Mikhail Bonch-Osmolovskiy, Adam Śmietanka, *Study and Reports on the VAT Gap in the EU-28 Member States: 2020 Final Report*, Centrum Analiz Społeczno-Ekonomicznych 2020, p. 106.

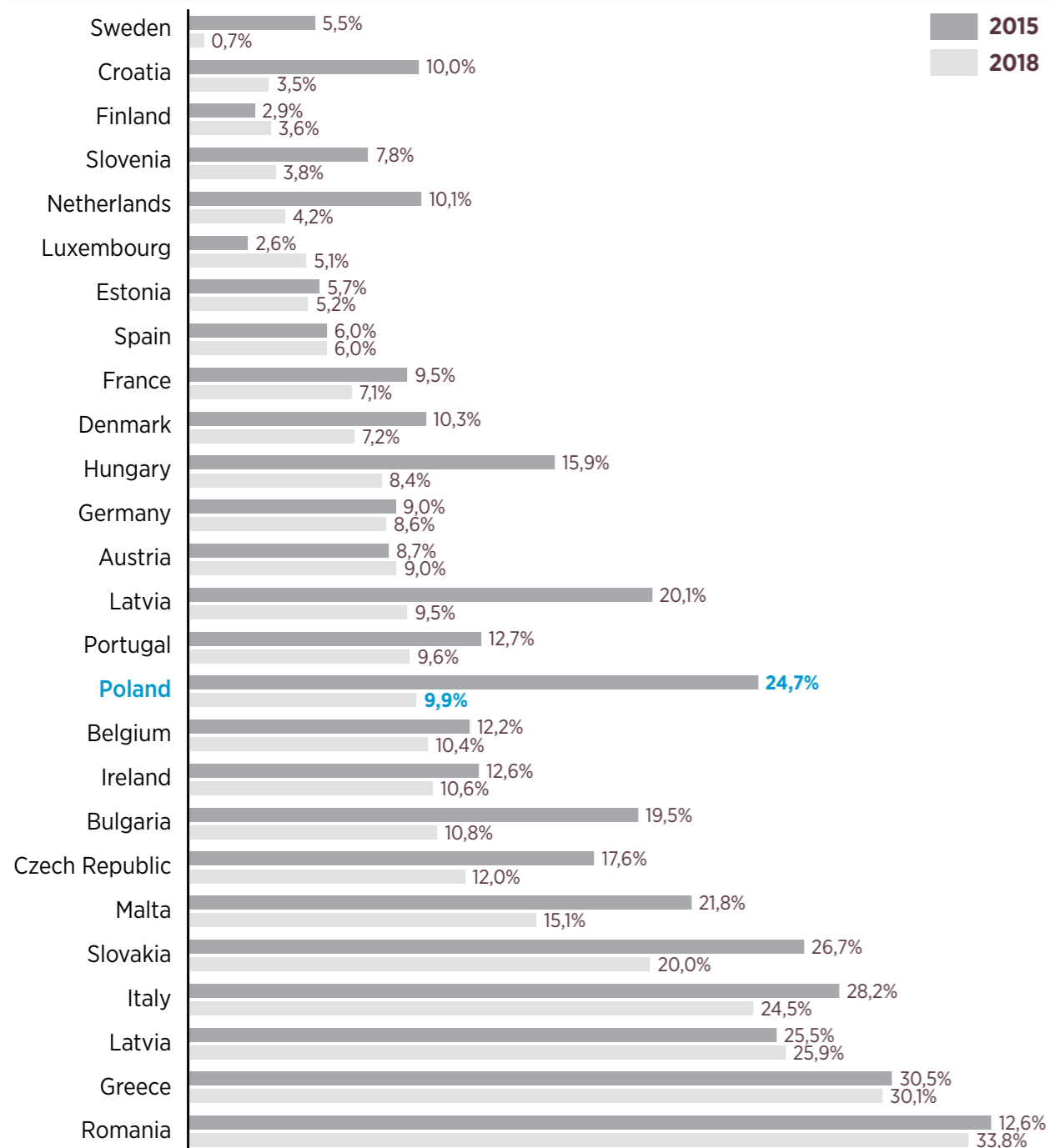
Chart no. 3 depicts the evolution of the VAT gap in Poland until the estimated results of 2020. Since 2015, with the introduction of changes in the tax system aimed at tightening the VAT, the gap has been decreasing - to 9.9% in 2018 (assuming that it

will remain at the same level in 2019). In 2020, the tax gap is estimated to increase due to the COVID-19 pandemic, which: „not only will significantly reduce the economic growth of EU member states (according to

estimates of the European Commission, Poland is expected to have a negative economic growth in 2020 [...]), but it will also negatively

affect the collection of VAT and total tax revenues¹⁰

CHART NO.4. VAT GAP IN EU MEMBER STATES IN 2015 AND 2018 (IN % VTTL)

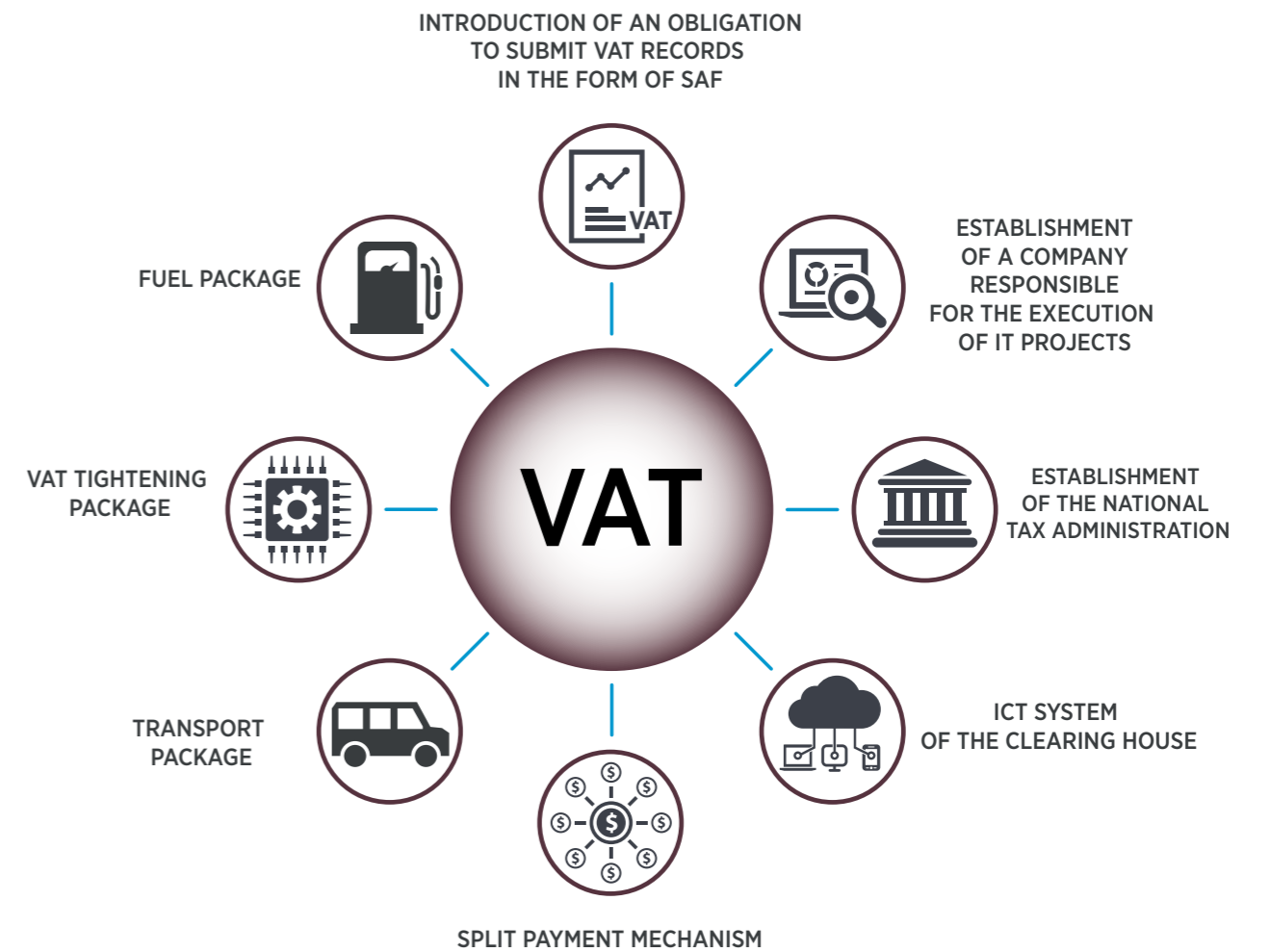


Source: Grzegorz Poniatowski, Mikhail Bonch-Osmolovskiy, Adam Śmietanka, *Study and Reports on the VAT Gap in the EU-28 Member States: 2020 Final Report*, Centrum Analiz Społeczno-Ekonomicznych 2020, p. 106.

Comparing the changes in the size of the VAT gap between 2015 and 2018 in EU member states (Chart no. 4), one can see that Poland has significantly improved its results in the fight against tax crime - there has been a shift towards the average result of the EU.

The changes mentioned in the previous section contributed to reduction of the tax gap overall. The effects of implementing various initiatives to reduce tax crime will be presented below. A summary of system changes is illustrated in the following diagram:

DIAGRAM 2. ZMIANY SYSTEMOWE SŁUŻĄCE PRZECIWDZIAŁANIU WYŁUDZENIOM PODATKU VAT



Source: *Przeciwdziałanie wyłudzeniom podatku VAT, Informacja o wynikach kontroli*, Najwyższa Izba Kontroli 2018.

¹⁰ Luka w VAT w Polsce może wzrosnąć do 14,5% w 2020 r., <https://www.case-research.eu/pl/luka-w-vat-w-polsce-moze-wzrosnac-do-145-w-2020-r-101486> [26.04.2021 r.]

Extended confiscation

Thanks to the introduction of the extended confiscation law, prosecutors were able to secure goods derived from VAT fraud amounting to PLN 400 million in the first eight months.

Fuel industry

The Polish Organization of Oil Industry and Trade (Pol. Polska Organizacja Przemysłu i Handlu Naftowego, ab. POPIHN) has released information showing that legal use of diesel fuel from January to September 2017 increased by 16% compared to 2016. The fuel package with the contribution of the energy and transport packages caused the operators of the fuel industry (those who had a fuel trading licence and were obliged to submit the Single Audit File) to pay about PLN 2.5 billion more in VAT for the first six months of 2017 than in the corresponding timeframe of 2016.

Consolidation of tax institutions into the National Tax Administration

Thanks to the unification of the tax administration, fiscal control and Customs Service, the newly established National Tax Administration conducted fewer, yet more effective, audits. The Supreme Audit Office (Pol. Najwyższa Izba Kontroli) states in its report that in 2017, the detection of errors during fiscal inspections increased up to 83.3%.

Some of the most spectacular successes of NTA in terms of apprehending attempts to defraud tax refunds and curbing the activities of the VAT carousel mafia include those described in the 2018 report of the Polish Economic Institute:

„In February 2017, the largest attempt to defraud VAT refunds was foiled - criminals were expecting a transfer of almost PLN 318 million from the revenue office. The carousel was created by companies operating in the food sector - goods instead of leaving Poland circulated between two internal warehouses.

False trading was identified by the fact that the businesses declared huge turnover, despite the fact that they had no money to pay even a fraction of the declared invoices.

The largest of the VAT carousels broken up in 2017 was formed by more than 200 companies - 170 Polish and 55 foreign. Goods fictitiously circulated between eleven EU member states. In the course of their activity, the criminals issued false invoices for PLN 570 million, while the value of the VAT they defrauded was over PLN 108 million. The criminals traded in electronics, including hard drives, toner cartridges and drones. All recovered property was packed on 300 pallets.”¹¹

Big data analytics results

Thanks to big data analytics, the administration is able to identify falsified invoices more effectively. After analyzing data from the first half of 2018 (almost 2 billion documents), more than 150,000 invoices submitted by entities not registered as VAT payers were detected. The automatization of verifying SAF, notification of taxpayers about the errors that occurred and the possibility to submit a correction without legal or financial consequences increased the amount of due tax received by more than PLN 574 million in the first half of 2018.

Verification of registered subjects

Due to the introduction of the obligation to verify the ability to conduct declared activities during the registration of new entities, a review of companies previously entered in the register was initiated. As a result of the audit, 110,372 taxpayers were removed from the register, among which more than half suspended their activities. The remaining subjects were removed due to the inability to contact their representatives, incorrect data or deliberate acceptance of a false invoice.

ICT System of the Clearing House

After the first month of the ICT system being in effect (2018), analysts from the Kujawsko-Pomorskie Voivodeship were able to identify bank accounts and freeze funds that originated from fraudulent activities using “empty invoices”. As a result, PLN 37 million was seized.

In the first quarter of 2020, thanks to the ICT system and SAF analysis, NTA in Łódź was able to secure PLN 1.5 million. The companies, with frozen bank accounts for future tax liabilities, were operating in the textile industry, using false VAT invoices in cooperation with clothing manufacturers.



¹¹ J. Sarnowski, P. Selera, *Zmniejszenie luki VAT...*, dz. cyt., p. 21.

CONCLUSIONS AND RECOMMENDATIONS

Thanks to the introduction of a number of reforms in the tax system, the consolidation of control and decision-making processes, Poland has gone from being one of the worst countries in terms of the VAT gap, to a country which ranks in the European average in terms of combating tax crime and evasion.

Thanks to a combination of legal changes, consolidation of tax administration operations and an innovative approach to the problem, the Polish banking system reduced the tax gap by 14.8% between 2015 and 2018 (24.7% in 2015 to 9.9% in 2018).

It was possible thanks to the coordination of changes in the three areas described earlier:

1. legislation,
2. administration,
3. business cooperation

In view of the ongoing fight of EU member states against tax crime, it is worth considering the introduction of instruments and initiatives developed in Poland, such as:

- ICT system of the Clearing House,
- - SAF analyzer,
- - split payment mechanism,
- - consolidation of all activities related to the tax system in a single institution (NTA),
- - establishment of cooperation between the tax administration and the banking sector,
- - providing a list of information about VAT payers, thanks to which businesses can effectively verify potential counterparties.

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