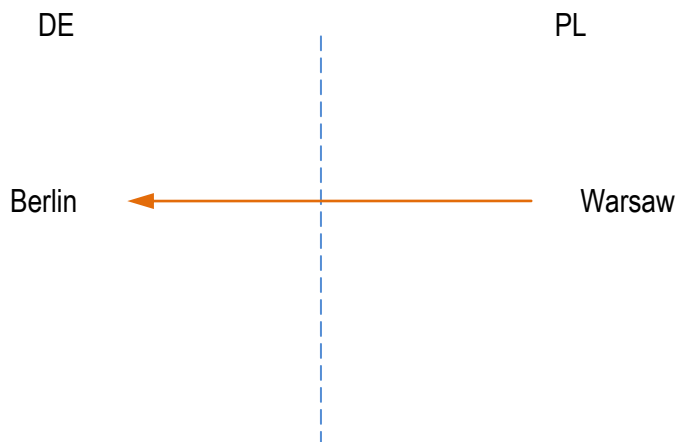


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Indirect Taxation Group | Warsaw | 22 April 2016

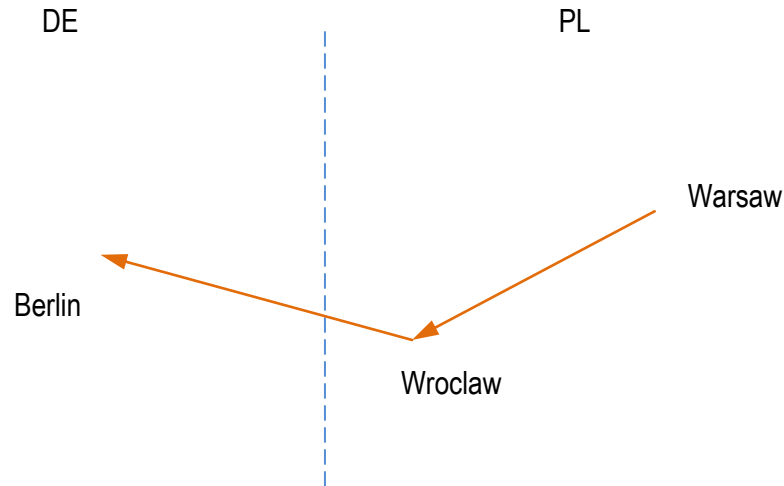
Case I: Supply from PL (typical background)



- Components are produced in PL and sold to DE client
- Invoicing: PL producer > DE client
- Transport: Warsaw > Berlin | Incoterms: EXW Berlin | Transport arranged by DE client

VAT QUALIFICATION: ICS (zero rated) for PL producer | ICA (reverse charge) for DE client.

Case I: Supply from PL (modified background)



- Components are produced in PL and sold to DE client
- Modification: DE client operates logistic centre in Wroclaw (PL)
- Invoicing: PL producer > DE client.
- Transport: Warsaw > Wroclaw | Incoterms: EXW Wroclaw | Transport arranged by PL producer
- Transport Wroclaw > Berlin | Incoterms: EXW Berlin | Transport arranged by DE client

Case I: Supply from PL (modified background)

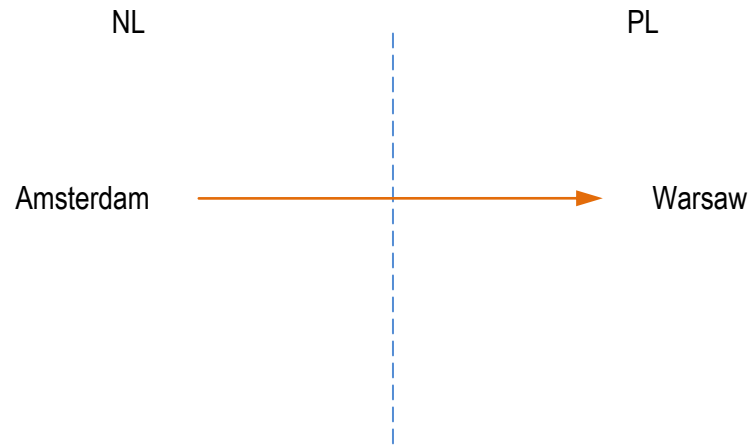
How modified background is seen from:

- PL perspective?
 - PL supplier: ICS (zero rated), and
 - DE client: ICA (reverse charge), unless reversed by DE authorities
- DE perspective?
 - PL supplier/DE client: local sale/purchase @ 23%
 - DE client: movement of own goods internal transfer from PL to DE

CONTROVERSY: How it would be qualified from e.g. Dutch or UK perspective?

CONCLUSION: DE client may be required to register for PL VAT purposes, if DE authorities challenge ICA from PL and subsequently report about it to PL authorities.

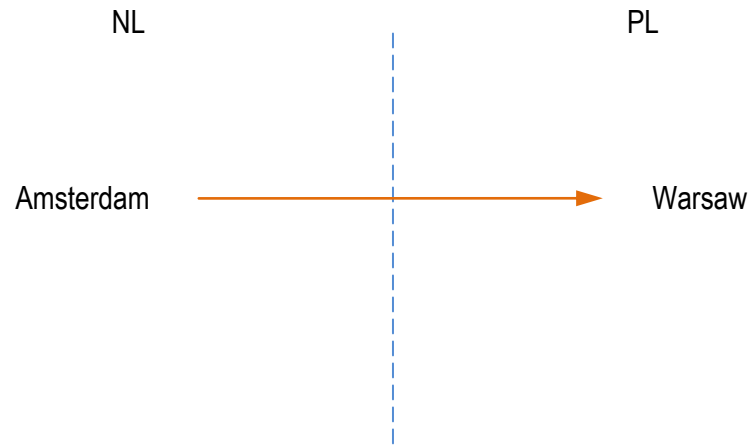
Case II: Fairs/Exhibitions (sale of goods)



TYPICAL scenario: own goods moved from NL to PL to be presented on fairs | moved back after fairs.

VAT QUALIFICATION: no VAT consequences | excluded from regulations on movement of own goods.

Case II: Fairs/Exhibitions (sale of goods)

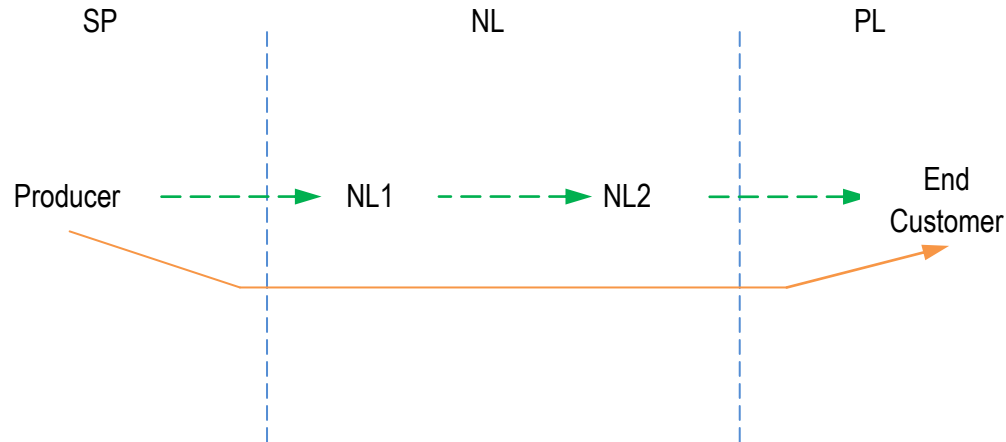


MODIFIED scenario: own goods moved from NL to PL to be presented on fairs | sold on fairs.

VAT QUALIFICATION (PL perspective):

- NL VAT @ 21% on movement of goods, if NL entity not registered for VAT in PL;
- ICA in PL @ 23% with no right for deduction of input tax;
- Local sale of NL entity to PL customer @ 23%.

Case III: Chain Transaction



BACKGROUND:

- countries changed, except PL | NL 1 and NL 2 are intermediates | each registered locally for VAT purposes.
- invoicing: SP>NL1>NL2>PL | supply of goods: SP>PL.
- GGI member firm represented third in the chain (NL2).
- initial contact with EFS Group to register for PL VAT and compliance | @ start of the project, transaction was to be executed | afterwards, it turned out that the transaction was executed already.
- SP reported ICS (0%) | NL1 and NL2 charged no VAT | PL reported ICA (reverse charge).

Case III: Chain Transaction

VAT QUALIFICATION (PL perspective):

- If application of retrospective triangulation would be possible and
 - Either NL1 would register for SP VAT or NL2 would register for PL VAT purposes,
 - PL authorities would deny triangulation simplification.
- If application of retrospective triangulation would not be possible (correct qualification):
 - NL1 to register for PL VAT purposes and charges PL VAT @ 23%,
 - NL2 accounts for Polish input tax @ 23% and claims it back under the Eight Directive + ICS to PL,
 - PL recognises ICA and applies reverse charge

HOW IT ENDED? Nothing happened | NL2 still waits for NL1 decision | NL2 may end up with factual loss of Polish input tax if transaction is challenged



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