

# 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

# 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!!





*and taxes are easy*

## **CONTACT DETAILS**



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