Poland: Sealing Tax Gaps
Breakout Session B: Managing Public Resources

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• VAT Gap in Poland as one of the largest in the EU (expressed as %),
• approximately **EUR 10 billion** of foregone VAT revenue every year,

The VAT Gap is the difference between the liability under full compliance and revenue.

Between 2010 and 2018 the revenue was lost primarily due to:

• large scale fraud, more specifically MTIC and carousel fraud,

• tax evasion (e.g. underreporting, non filers), tax avoidance (e.g. misalignment of rates),

• but also errors, omissions and bankruptcies.

Interim solutions, like reverse charge mechanism, proved to have limited effectiveness.
IMPLEMENTED ACTIONS

• Changes in the legislation
  • New measures for counteracting tax fraud and tax evasion

• Changes in the organization
  • Consolidation tax administration, customs services and fiscal audit services in the single National Revenue Administration with new, wider powers and improved tools

• Dialogue with partners
  • New procedures for implementing changes in the tax law based on dialogue and common understanding
IMPLEMENTED ACTIONS

• Increased reporting obligations: SAF obligatory for all VAT registered entities from 1.1.2018;
• Access to information about cash-flow reported daily by banks (STIR);
• Effective application of General Anti Avoidance Rule (GAAR);
• Monitoring in real time movement of sensitive goods (e.g. petrol and tobacco) (SENT)
• VAT Gap in Poland in 2018 has likely fell below the EU average,

• in nominal terms the VAT Gap fell by ca. 50% since 2015,
Results

- Increase in **VAT collections** of ca. 28% over two years (2016-2018),
- Increase in **CIT collections** of ca. 31% over two years (2016 – 2018)
- Decrease in the **number of audits** by one third (29,560 in 2015 and 18,492 in 2017),
- Increased **effectiveness of audits** (83.3% in 2017),
- Some of the introduced measures have also decreased **compliance costs** (e.g. less stringent audits, faster VAT refunds) and limited **administrative costs** (e.g. STIR – third-party information).
LESSONS LEARNED

• Think ahead – implementation process takes time, but substantial changes can bring desired effect in short period of time.

• Communicate changes inside and outside organization.

• Invest in people.

• Make sure you have political support for legislative changes.
THANK YOU!