

## VAT groups

On January 1, 2023, a long-awaited amendment with respect to the goods and services tax came into effect, allowing the creation of so-called VAT Groups. This optional solution allows a group of related entities to form a group that becomes one collective VAT taxpayer and, consequently, make one joint settlement for VAT purposes.

Below are the most relevant aspects of applying this simplification.

### BENEFITS OF A VAT GROUP

**VAT groups provide an opportunity for joint settlement of VAT for members of a group.** In addition to the financial benefits to businesses and improved liquidity, it also simplifies and reduces many administrative duties.

**A VAT group allows for neutrality of trade between group members.** Trade within the group is not documented by invoices and is not subject to VAT. The need for the split payment mechanism, and verification of the counterparty against the white list of taxpayers, also ceases to apply. Only one collective JPK is submitted, **since the taxpayer is the VAT group as a whole.**

**A VAT Group also gains more efficient cash-flow due to its ability to flexibly manage input VAT:**

- the excess of input tax over output tax of one entity, can be “used” within the group without having to wait, for example, 60 days for a VAT refund’
- an entity that does not “generate” input tax on their own can benefit from another group member’s excess.

### FOR WHOM?

A VAT group can only include entities that:

- have their seat in Poland, or
- do not have a seat in Poland, but their branch through which they conduct business activities is located in Poland (in which case such a branch may be a member of the VAT group).

### CONDITIONS FOR FORMING A VAT GROUP

In order to create a VAT Group, the following is required:

- conclusion of a written agreement on its establishment for a minimum period of 3 years,
- filing a registration application with the relevant tax authority.

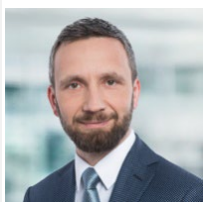
A VAT group can only be formed by taxpayers who have their seat or a branch of a foreign company in Poland and have ties of the following nature:

- **financial** – one entity holds at least 50% of the share capital (or 50% of the voting rights) of the other members of the VAT group,

- **economic** – the core business of group members is of the same nature, or the types of business conducted by the entities are complementary and interdependent, or members of the VAT group benefit wholly or largely from the activities of an entity that is a member of the group,
- **organizational** – all VAT group entities legally or de facto, directly or indirectly, are under common management or organize their activities entirely or partially in concert.

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