

SLIM VAT 3 package published in the Journal of Laws - what changes await taxpayers from 1 July 2023?

• 13 JUNE 2023 •

The amendment to the VAT Act [i.e., the Act of 26 May 2023 amending the VAT Act and certain other acts (Journal of Laws of 2023, item 1059)] commonly referred to as the SLIM VAT 3 package has been published in the Journal of Laws. The changes brought by SLIM VAT 3 will come into force as early as 1 July this year. The changes should be perceived as positive, as they simplify VAT settlements and mitigate sanctions.

First and foremost, the SLIM VAT 3 package introduces very significant **changes regarding VAT sanctions, which have already entered into force as of the day following its announcement, i.e., as of 6 June this year.** These changes are the result of a judgment of the Court of Justice of the EU and give heads of tax offices discretion in determining amounts of sanction rates, which were previously set at a fixed amount (at 15%, 20%, 30% or 100%, depending on the situation). As a result, heads of tax offices will have the power to moderate sanctions taking into account certain premises.

Other changes introduced by the SLIM VAT 3 package as of 1 July this year include:

- 1. Simplification of VAT settlements for ICA** - settling input VAT will no longer depend on being in the possession of an invoice documenting the transaction. As a result, a taxpayer who receives an invoice at a later date will be able to declare input and output VAT in the same settlement period.
- 2. Change in the scope of making adjustments for ICS** - the adjustment related to the delayed receipt of proof of delivery of goods is to be declared for the period in which the tax obligation arose for a given transaction.
- 3. Clarification of the rules for applying exchange rates for corrective invoices in foreign currencies** - the principle will be to apply the historical rate applicable for the original invoice, and exclusively in the case of collective corrective invoices will the taxpayer have the choice to apply the historical rate or the current rate (from the day preceding the date of issuance of the corrective invoice).
- 4. Significant change to the protective power of WIS (Binding Rate Information)** – currently, WIS is binding for tax authorities solely in relation to entities for which it has been issued – the SLIM VAT 3 package extends its protective power also to other entities that perform or intend to perform activities to which a given WIS applies.

5. **Unification in issuing binding information** - regardless of whether a taxpayer applies for the issuance of WIS, WIA (Binding Excise Information), BTI (Binding Tariff Information) or WIP (Binding Origin Information), the application will be submitted to the same authority: the Director of the National Tax Information.
6. **The application for issuance of a WIS will not be subject to a fee.**
7. **Correction of the sale of goods in the shipping system** - corrections to declarations may also be submitted outside the OSS and IOSS systems, if the 3-year deadline for the correction has expired or a taxpayer has opted out of these procedures. Such corrections are submitted to the Tax Office in Łódź.
8. **Changes related to the VAT ratio** - (i) the current obligation to agree with the head of a tax office on the rate applied in the form of a report will be replaced with an obligation to notify the head of a tax office of the rate adopted, (ii) no obligation to make an annual adjustment of VAT deduction if the difference between the initial and final rate does not exceed 2% and the amount of the difference does not exceed PLN 10,000, (iii) possibility to deduct 100% of input VAT if the rate exceeds 98% and the amount of undeducted VAT does not exceed PLN 10,000.
9. **Increase of the sales limit for small VAT taxpayers (mały podatnik) from EUR 1,2 million to EUR 2 million** - this change will enable a greater number of small companies to apply cash accounting and quarterly VAT settlements.

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