



Let's talk **taxes**

Changes in payment gridlocks **2020**

PAYMENT GRIDLOCKS CHANGES 2020

DEADLINES FOR PAYMENTS

Key solutions - defined fixed deadlines for trade transactions

30 days

for payment to public entities

Shortening of the payment deadlines in commercial transactions in which the debtor is a public entity (excluding medicinal entities) to a maximum of 30 days from the day of delivery of the invoice

60 days

for payment from larger companies in relation to smaller ones

Shortening of the payment deadline in transactions where the creditor is a micro, small or medium-sized enterprise, and the debtor is a large company (so-called asymmetrical transaction) to a maximum of 60 days.

The debtor has to prove that the payment deadline is not grossly unfair

In the event of a payment deadline longer than 60 days between equivalent entities (e.g. two medium-sized companies) - in the event of a dispute between the debtor will have to prove that the payment date was not grossly unfair to the creditor.

You will be able to withdraw from the contract if the payment period exceeds 120 days.

The creditor may withdraw from the contract or terminate it if the payment deadline specified in the contract has been excessively extended. If the payment period exceeds 120 days, calculated from the date of delivery of the invoice or bill to the debtor confirming the delivery of the goods or service, the creditor will be able to withdraw from the whole contract or from its unenforceable part).



The largest companies will report their payment practices
to MPiT (Polish Ministry of Entrepreneurship and Technology)

Annual submission of corporate income tax by major taxpayers (capital groups and companies whose income exceeds EUR 50 million annually) to the Minister of MPiT of the reports on the payment deadlines they use. These reports will be publicly available, i.e. you will be able to find out how large partners are meeting their obligations and assess the risk of entering into business relationships with them. The first reports on payment practices are to be published in 2021 and will provide information for 2020.

The office of Competition and Consumer Protection - UOKiK
will be able to punish companies that delay the payments

The President of the UOKiK will impose fines on companies that delay the settlement of their obligations the most. There will be taken into account the value of unpaid invoices and the length of late payment. However, the debtor who does not pay won't be punished if his debtor also does not pay him.

Companies that do not receive payment on time will be entitled to a bad debt relief in PIT and CIT

Mechanism of so-called bad debts, including the relief for bad debts, similar to the mechanism functioning in VAT. That means that a creditor who does not receive payment within 90 days after the deadline specified in the contract or invoice will be able to reduce the income tax base by the amount of the claim. In turn the debtor will be required to raise his income tax base by the amount he has not paid.



Interest for delays in commercial transactions will increase from the current 9.5% to 11.5%.

Increasing statutory interest for delays in commercial transactions by two percentage points up to 11.5 %, thus lending at the expense of companies is more expensive than obtaining money, e.g. from a commercial loan. Only in transactions where the debtor is a medical entity, the interest will remain at the current level, i.e. 9.5 %.



It will be easier to secure a claim in court.

Simplification of the procedure before the Civil Court in cases for monetary claims arising from commercial transactions in which the value of remuneration does not exceed PLN 75,000 and this amount has not been settled for at least 3 months from the due day. That means that you won't need to demonstrate a legal interest in providing security at the Court.



Higher compensation for recovery costs



Differentiation in the amount of compensation for incurred costs associated with recovery (currently the compensation is EUR 40 for each unpaid debt or part thereof). After the changes, three thresholds will be set:

- EUR 40 - if the cash benefit does not exceed PLN 5,000;
- EUR 70 - if the cash benefit is between PLN 5,001 and PLN 50,000;
- EUR 100 - if the cash benefit is equal to or higher than PLN 50,000.

In addition, a mechanism was introduced to prevent the abuse of the right to compensation.

Unjustified extension of payment deadlines will become an act of unfair competition

Supplementing the catalog of acts of unfair competition in the Act on combating unfair competition with the action of unreasonably extending the payment deadlines for delivered products or services rendered.





Questions?

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