Draft regulations on income SAF published

1 January 2025 is to be the effective date of the minister's of finance new decree on additional data to be included in the books of account subject to reporting under the Corporate Income Tax (CIT) Act. The new regulations pertain to a new requirement consisting of having to submit income SAF with data from the taxable person's books of account.

I. Taxable persons required to provide data from their books of account

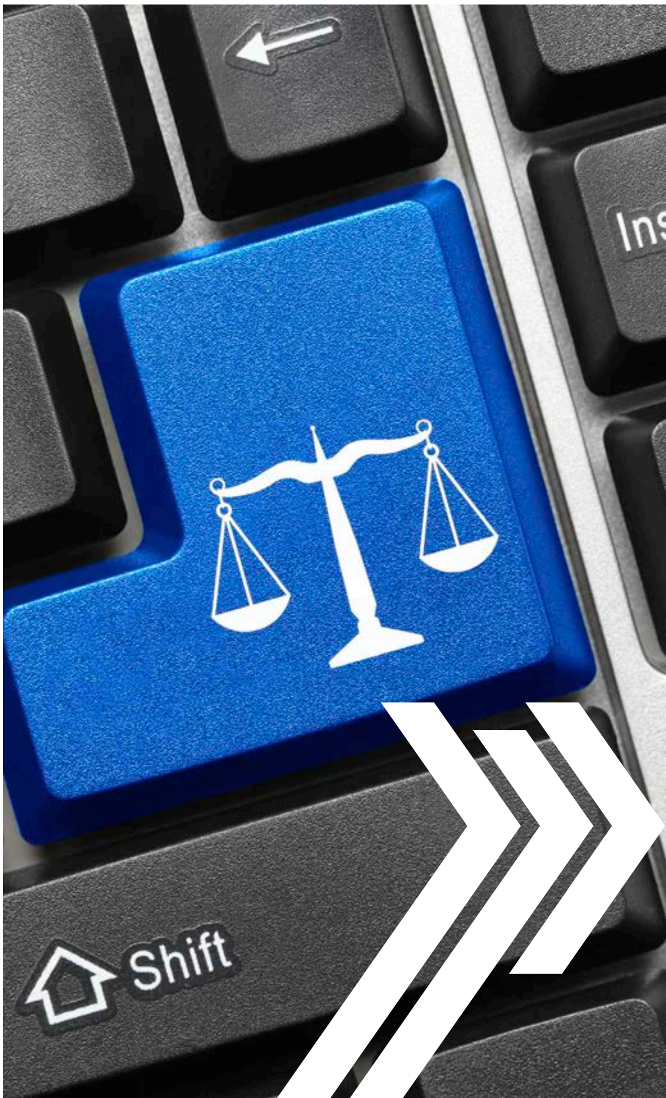
Under the provisions of the CIT Act, taxable persons who keep books of account are required to do so using computer software and to send them to the head of the relevant tax office after the end of the tax year by the tax return filing deadline. The books of account will have to be transmitted to the head of the relevant tax office electronically, in electronic form corresponding to the approved logical structure. In this case it means having to file so-called income SAF (standard audit files). Relevant regulations that require this were published in November 2021 (2021 Journal of Laws, item 2105 with subsequent amendments), but their effective date was postponed until after 31 December 2024.

II. New requirements to first affect largest CIT taxable persons

The new obligations to regularly transmit books of account to the tax authorities will go into effect as of 1 January 2025, but not for all taxable persons. This is because the regulations contain a staggered timetable for the gradual introduction of the obligations for successive groups of taxable persons. According to this timetable, appropriate audit files will have to be transmitted for tax years beginning after: 31 December 2024 for tax groups and CIT taxable persons whose revenues for the previous tax year exceeded 50 million euro (JPK_KR logical structure); 31 December 2025 for other CIT taxable persons required to submit SAF_VAT records, as well as PIT taxable persons taxed on general terms, those taxable with lump-sum tax on registered income (PPE) and those taxable with flat-rate PIT (PPL) required to submit SAF-VAT records (logical structures JPK_KR, JPK_PKPiR and JPK_EWP); 31 December 2026 for the remaining CIT taxable persons and PIT/PPE/PPL taxable persons (logical structures JPK_KR, JPK_PKPiR and JPK_EWP). Currently such files are provided only at the tax office's request.

III. Decree to specify scope of data to be provided in SAF

In connection with the new obligations, the Ministry of Finance has made public, as part of the consultation process, a draft of the minister's of finance decree on additional data to be included in the books of account subject to reporting under the Corporate Income Tax Act. The draft has been included under item 825 in the List of Legislative Work on Draft Minister of Finance Decrees, and the decree is to go into force as of the effective date of the relevant provisions of the CIT Act, i.e. 1 January 2025. The new decree will specify the scope of data to be added to the books of account that taxable persons will be required to transmit to the head of the relevant tax office.



IV. Special tags to label accounts in SAF

Among other things, the draft provides for the introduction of additional markups (tags) in the JPK_KR (books of account file) structure to identify the accounts used by the entities. As taxable persons will be sending extensive books of account (with different individual account names), and in view of the accounting methods (policies) adopted by the entities, the markups (tags) used to identify the accounts will be named using nomenclature resulting from the balance sheet and profit and loss account referred to in the Accounting Act. According to the ministry, the introduction of the proposed account tags will facilitate the correct identification of accounts, which will have a direct impact on the efficiency of analytical and control activities of the National Tax Administration, and at the same time will contribute to reducing the involvement of taxable persons in providing explanations of the entries made. Irrespective of this, the draft calls for modifying the recording of tangible and intangible fixed assets, differences in revenue and costs for accounting purposes and revenue and costs for tax purposes, and the income tax base when taxable persons choose the so-called Estonian CIT.

V. Vendor data to be included in audit files

With respect to the identification details of the taxable person's vendors, the planned decree indicates the tax identification number. In addition, where a vendor is a natural person who is not a trader, the taxable person will have to include the first and last name of that vendor. Whereas where the taxable person's vendor is a natural person who is a trader, their identification details will have to include the first and last name of the vendor along with any additional components of the business name. The decree also states that if the vendor is not a natural person who is or is not a trader, the vendor's identification details will have to include the full name of that vendor. Importantly, in the case of natural persons who are not traders, only those natural persons who have previously been identified as vendors in the books of account in accordance with the relevant accounting regulations will be considered vendors in accordance with the decree.

VI. SAF to be completed with data from KSeF

e-Invoice System (KSeF), if assigned, only for invoices that constitute accounting evidence; account identifying tags; data confirming the acquisition, production or derecognition of tangible or intangible fixed assets. The decree has 7 appendices containing dictionaries of account identifying tags applicable to specific groups of entities, such as for example banks, insurers, investment funds or cooperative savings and loan associations. In accordance with the decree, data provided to the relevant tax office will have to contain additional information, such as the identification number of the invoice in the Domestic

VII. Taxable persons to provide fixed asset details

Based on the new decree, in addition to the data from their currently kept books of account taxable persons will have to provide data confirming the acquisition, production or derecognition of a tangible or intangible fixed asset, which will have to include: the invoice identification number from KSeF, if assigned, only for invoices that constitute accounting evidence; information about the type of evidence that confirms the acquisition, production or derecognition; the tax identification number of the taxable person's vendor.

VIII. Data on differences between accounting and tax result must be provided

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Reported information will also include the amount, nature and type of differences between the accounting and tax results. This will include both permanent and temporary differences. The types of differences between the accounting and tax result would be determined in the JPK_KR logical structures in the following manner: KUP (tax-deductible cost) – tax cost that is not an accounting cost; NKUP (non-tax deductible cost) – accounting cost that is not a tax cost; PP – taxable revenue that is not accounting revenue; NPP – accounting revenue that is not taxable revenue; PNPO – non-taxable revenue; KPNPO – costs associated with non-taxable revenue; DW – tax-free income; the amount and type of income subject to taxation with respect to those taxed with flat-rate tax on corporate income.

IX. Additional types of revenue must be indicated

The new regulations are to also provide that the JPK_KR logical structures will list the following types of income: from net profit generated during the period of flat-rate taxation, insofar as it is designated for distribution amongst shareholders or to cover losses incurred in the period prior to flat-rate taxation; from hidden profits; the taxable person's non-business expenses; changes in the value of assets (in the case of a merger, split, transformation); undisclosed business operations; net profit insofar as it has not been distributed or designated to cover losses in the period of flat-rate taxation – for taxable persons who are no longer subject to flat-rate taxation.

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