

VAT Gap in Poland: policy problem and policy response

The goal of proposed research project is to comprehensively examine the evolution of Polish VAT gap during the 2008 – 2020 period. To do so, legal, economic, social and political-science perspectives would be combined to analyze the processes leading to the proliferation of VAT frauds during 2008-2014 – as well as the response of the state institutions to the declining VAT receipts. Obtained results will contribute to the better understanding of the VAT frauds – as well as provide insights for further policy proposals. They also improve understanding of the tax policy formulation process.

The experience of Poland is particularly relevant to the analysis of VAT compliance issues.

First and foremost, despite the fact that Poland have not experienced recession after financial and Eurozone crisis, the size of its VAT gap almost reached the Greek levels (24 to 27 percent in 2014, CASE 2018). Thus Polish VAT-compliance crisis could not be explained as simple consequence of the downturn.

Secondly, as VAT gap reduction became top government priority and tax administration experimented with various remedies (from reverse-charge, split payment, organizational reshuffling to IT targeting tools) it offers unique testing ground for their performance.

Legal framework will be analyzed in evolutionary fashion, taking into account how political actors in government and parliament responded to growing compliance gap with changes in the primary and secondary legislation. Due to these factors, proposed research project can contribute to the international literature on tax law and public policy development and implementation.

It is particularly relevant in context of the VAT harmonization. On the one hand, it requires country-level legislation to comply with EU law, on the other, obtained results could contribute to the policy debate on Vth Directive reform.

In-depth examination of VAT gap episode can provide knowledge base required to inform policy debate on other instances of tax avoidance and predatory tax optimization (tax gaps) – particularly in case of excise duty and CIT.