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Split payment mechanism and STIR – selected tools for improving the efficiency of tax collection on goods and services in the Republic of Poland

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Abstract

The article describes two selected tools for improving the efficiency of tax collection on goods and services in Poland, which were introduced in 2017, namely split payment and STIR. The introduction of these tools was connected with the Ministry of Finance's intensification of actions related to so-called treasury frauds. The article presents the normative structure of split payment and STIR and also discusses the influence of these tools on the tax on goods and services.

Keywords

STIR, split payment mechanism, tax on goods and services.

1 General comments

Tax on goods and services[1] constitutes the most important source of treasury revenues. As such, efficient collection is absolutely crucial. For this reason, the options for introducing mechanisms that would safeguard TGS collection have been researched in Poland for many years. What needs to be stressed is that TGS and, more generally speaking, VAT, is equally prone to evasion attempts in Poland and in other EU member states. According to the Council of Ministers, an increase in the TGS gap, defined as the difference between theoretically due TGS (theoretical treasury income) and actually collected TGS (real income)[2] has been observed since 2008. "In line with calculations ordered by the European Commission, the VAT gap is ca. 10 billion EUR now". It is worth stressing that the Republic of Poland is among the better Europe

[1] Hereinafter: TGS - which is the Polish equivalent of VAT found in most EU member states.

[2] The gap (apart from "natural" bankruptcies) mostly results from tax frauds (in the form of various actions consisting of illegal activities such as tax frauds and evasion) and existence of the so-called grey zone.

member states when it comes to the degree of tax evasion (a larger gap has been calculated for Romania, Greece and Italy, for example).[3]

In response to the growing scale of frauds and evasions relating to TGS, the Polish legislator introduced numerous laws intended to increase the effectiveness of TGS collection, including the split payment mechanism and the STIR IT system that are the subjects of this paper.

2 Split payment mechanism

On 1 July 2018, the provisions of the act of 15 December 2017 amending the law on TGS and other selected laws[4] came into force. They included various changes aimed at providing more stability in revenues from TGS and preventing TGS evasion, which would translate into more tax security, greater stability of running business activities and keeping equal rules for competition.[5] This amendment introduced the split payment mechanism to the Polish tax system, based on a model employed in Azerbaijan (Michalik, 2018, 113).

On February 18 2019, by the Council Implementing Decision (EU) 2019/310,[6] the Council of the European Union, having regard to the Treaty on the Functioning of the European Union and Council Directive 2006/112 / EC of November 28, 2006 on the common system of value added tax,[7] authorised Poland to introducing the split payment model as a measure derogating from Article 226 of the VAT Directive. Pursuant to Article 226 of the VAT Directive, invoices for VAT purposes contain only the data specified therein. It was therefore necessary for Poland to apply to the European Union authorities for authorisation to introduce the split payment model, which is a derogation from Article 226 of the VAT Directive. Poland applied for the possibility of applying this model from January 1 2019 to December 31 2021. The European Commission approved the proposed split payment mechanism to apply in Poland from March 1 2019 to February 28 2022. According to the Council of the European Union in Article 3 of Council Implementing Decision (EU) 2019/3100, the split payment mechanism could apply from 1 March 2019 until 28 February 2022.

Split payment constitutes one of the methods of collecting due tax and, at the same time, one of the solutions aimed at eliminating frauds and increasing TGS collectability (which translates into decreasing the tax gap). The main assumption behind this mechanism was splitting payments for the provided goods or services into the net amount paid by the buyer to the supplier's account and the TGS that would go directly to a separate bank account under the "supervision" of a tax authority. This model makes it possible for tax authorities to monitor and block funds on TGS accounts, thus eliminating the risk of taxpayers disappearing together with TGS paid

[3] Government bill amending the act on tax on goods and services and certain other acts. Online: http://www.sejm.gov.pl/Sejm8.nsf/druk.xsp?nr=1864.

[4] Act of 15 December 2017 amending the act on tax on goods and services and some other acts (Journal of Law of 2018 item 62; hereinafter: the amendment).

[5] Government bill amending the act on tax on goods and services and certain other acts. Online: http://www.sejm.gov.pl/Sejm8.nsf/druk.xsp?nr=1864

[6] Council Implementing Decision (EU) 2019/310 of 18 February 2019 authorising Poland to introduce a special measure derogating from Article 226 of Directive 2006/112/EC on the common system of value added tax (OJ L 51, 22.2.2019, p. 19–27; hereinafter Implementing Decision (EU) 2019/310).

[7] Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11.12.2006, p. 1–118; hereinafter: VAT Directive).

by their business partners and unpaid by them.[8] Because of this, "using the split payment mechanism is a safe, from the point of view of the Treasury, method of realising payments, as funds transferred with split payment remain in the closed circle of VAT accounts (Prokop, 2018)." Before introducing the split payment mechanism, Poland took numerous measures to combat tax fraud, in particular the reverse charge mechanism and joint and several liability of the supplier / service provider and the buyer, and the single control file. The European Commission has indicated that the split payment mechanism can bring effective results in the fight against VAT fraud.[9]

On April 5 2022, the Council issued Implementing Decision 2022/559 amending Implementing Decision (EU) 2019/310 with regard to the authorisation granted to Poland for the further application of a special measure derogating from Article 226 Directive 2006/112/EC on the common system of value added tax.[10] The report submitted by the Polish government confirms that the split payment mechanism is working well in the fight against tax fraud. Therefore, the European Commission recommended extending the operation of the split payment mechanism until February 28 2025. In particular, in the justification of its position, the European Commission points out that the introduction by Poland of the split payment mechanism, together with other measures aimed at limiting tax evasion, significantly influenced a reduction in the VAT gap, which fell below the European Union average over a short time.[11] The European Commission notes that, prior to the introduction of the split payment mechanism:

> 1) the number of proceedings brought concerning offences consisting of VAT fraud was 3,507 in 2018 and 3,389 in 2019 (a decrease of 118). In 2020, when the mandatory split payment mechanism became fully operational, the number of such procedures was 2 973, i.e. 416 fewer than in the previous year;
> 2) the amount of budget losses resulting from VAT fraud was PLN 5,168,779,146 in 2018 and PLN 4,716,202,928 in 2019 (a decrease of almost 8,75% year-on-year). In 2020, budget losses amounted to PLN 3,533,646,348, i.e. PLN 1,182,556,580 less than in the previous year (a decrease of almost 25.1%);
> 3) the number of initiated procedures related to VAT carousel fraud was 558 in 2018 and 277 in 2019 (a decrease of 281 year-on-year). In 2020, when the mandatory split payment mechanism was operational, the number of such procedures was 207, i.e. 70 fewer than in the previous year. It was also noted during the period under review that the reported budget losses due to VAT carousel fraud had gradually decreased. Before the entry into force of the mandatory split payment mechanism, the amount of the corresponding budget losses was PLN 4,496,602,940 in 2018 and PLN 2,468,437,745 in 2019 (a decrease of PLN

[8] Letter of the Minister of Development and Finance of 17 February 2017, PT1.054.5.2017.NWQ.93. Online: http://bit.ly/3AvpDRu

[9] Point 11 Implementing Decision (EU) 2019/310.

[10] Council Implementing Decision (EU) 2022/559 of 5 April 2022 amending Implementing Decision (EU) 2019/310 as regards the authorisation granted to Poland to continue to apply the special measure derogating from Article 226 of Directive 2006/112/EC on the common system of value added tax (OJ L 108, 7.4.2022, p. 51–59; hereinafter: Implementing Decision (EU) 2022/559).

[11] Proposal for a Council Implementing Decision amending Implementing Decision (EU) 2019/310 authorising Poland to apply a special measure derogating from Article 226 of Directive 2006/112/EC on the common system of value added tax (COM/2022/58 final). Online: http://bit.ly/3TWjbJY

2,028,165,195 year-on-year). In 2020, these losses amounted to PLN 1,107,992,201, i.e. by PLN 1,360,445,544 less than in the previous year (a decrease of almost 55.1%).[12]

The split payment mechanism is regulated in Chapter 1a, Section XI of the TGS law[13] and is only applicable to payments made since 1 July 2018. This mechanism applies to domestic trade between TGS tax payers (B2B). As such, it does not apply to trade with end-consumers.

In line with Article 108a TGS law, this mechanism is optional for taxpayers. Moreover, it is the buyer of goods or services who has the right to make a payment with the use of the split payment mechanism. Therefore, "the buyer of goods or services remains the exclusive holder of the right to apply this solution. The entity most interested in using this solution, i.e. the invoice issuer, has practically no possibility of opposing its use" (Bartosiewicz, 2018). Incentives for using the split payment mechanism include, if it turns out that the paid invoice does not give a right to deduct the TGS charged or the tax payer made a mistake when deducing the TGS charged, the sanctions provided for in Article 112b item 1 point 1 and item 2 point 1 of the TGS law (determination of additional tax liability) and in Article 112c of the TGS law (increased tax rate for the tax liability) shall not apply. The second incentive for the buyer to use the split payment mechanism is the possibility of avoiding solidary liability in the case of buying goods listed in appendix no 13 to the TGS law if such a liability could apply. Third, the 150% default interest rate does not apply in the event of tax arrears for the tax period for which the taxpayer in the submitted tax declaration showed the amount of input tax, at least 95% of which results from the invoices received by the taxpayer that have been paid using the split payment mechanism. However, such benefits do not apply to a tax payer who knew that the invoice was paid using the split payment mechanism and, *inter alia,* was issued by a non-existent entity or it covers work that was not performed or provides amounts not conforming to the true state of affairs.

In line with Article 108a item 1a TGS law when making payments for the purchased goods or services listed in Annex 15 to the Act, documented by an invoice in which the total amount due exceeds PLN 15,000 or its equivalent expressed in a foreign currency, taxpayers are required to apply the split payment mechanism, using the rules of conversion of amounts used to determine the tax base. If it is found that the taxpayer has made the payment in breach of Article 108a item 1a u.p.t.u., the head of the tax office or the head of the customs and tax office shall establish an additional tax liability in the amount corresponding to 30% of the tax amount for the purchased goods or services listed in Annex 15 to the Act on Taxes, indicated on the invoice to which the payment relates. In relation to natural persons who are liable for the same act for a fiscal misdemeanour or for a fiscal offence, no additional tax liability is established. However, this sanction does not apply if the supplier or service provider has settled the entire amount of tax resulting from the invoice, which was paid in violation of Article 108a item 1a TGS law.

The split payment mechanism relies on the facts that, first, the amount corresponding to the whole or total of the tax resulting from the received invoice is paid to a VAT account; and second, that a partial or total amount corresponding to new sales amount resulting from the received invoice is paid to a bank account or account in a savings and credit union for which there is a VAT account or is settled in another manner. It needs to be explained what the so-called VAT account is. It is a special bank account of the supplier (service provider). The amendment provides that banks or savings and credit unions have an obligation to open one for every TGS

[12] Ibidem.

[13] I.e. Journal of Law of 2021 item 685; hereinafter: TGS law

payer having its settlement account and an analogous personal account for business purposes in that savings and credit union. It is assumed that monies collected on the VAT account are at the taxpayer's disposal, but the possibilities of disposing of it are limited to paying TGS liabilities or an amount corresponding to TGS from invoices received from its business partner. However, in Article 108b item 1 TGS law, the legislator indicated that, at the taxpayer's request, the head of internal revenue may give, by means of a resolution, consent for the monies collected on VAT bank account indicated by the taxpayer to be transferred to another bank account or savings and credit union account indicated by it for which there is a VAT account. It is important that the taxpayer is entitled to file a complaint against this decision. The request may also be submitted by a non-taxable entity that has funds in the VAT account and an entity without a registered office or a permanent place of business in the territory of the country.

The tax authority (head of Internal Revenue) has 60 days for issuing a resolution determining the amount that can be transferred. In event case of refusal to transfer these monies to the account indicated by the taxpayer, the head of Internal Revenue is obliged to issue a decision.

An interesting solution is the joint and several liability of the taxpayer with the supplier of goods or service provider for the failure by this contractor to settle the tax resulting from this supply of goods or other provision of services up to the amount received on the VAT account. This solution occurs when the payment is made in the manner specified above to a taxpayer other than the one indicated in the invoice documenting the taxed activity. However, this liability is excluded in the event that the taxpayer makes a payment to the VAT account of the supplier of goods, or the service provider indicated on the invoice referred to in item 3 point 3, or returns the received payment to the VAT account of the taxpayer from whom the payment was received, immediately after receiving information of its receipt, in the amount gotten on the VAT account.

It is worth stressing that split payment is made in Polish zloty with a transfer order created by a bank or savings and credit union intended for making payments in the split payment mechanism. In the transfer order, the tax payer must indicate:

1) the amount corresponding to the whole or part of the tax amount resulting from the invoice to be paid in the split payment mechanism;
2) the amount corresponding to the whole or part of the gross sales value;
3) the number of the invoice to which the payment is related;
4) the tax identification number of the supplier of goods or service provider.

The split payment mechanism, in addition to the above-mentioned functionalities and advantages of limiting the possibility of tax fraud, may have some inconveniences. Transferring the wrong amount of tax in the split payment mechanism is particularly problematic and rather difficult to eliminate – unfortunately, in such cases the seller should be consulted, but he will not be able to refund the VAT account. Therefore, the seller must refund this amount using his settlement account, while an overpayment will be made on the VAT account.

3 STIR

STIR (Polish "System Teleinformatyczny Izby Rozliczeniowej" – Clearing House IT System) was created by the Ministry of Finance to provide a mechanism that would efficiently protect the interests of the Treasury against TGS frauds (Kopyściańska, 2019b, 151). This mechanism

was introduced to the Tax Ordnance[14] with the law of 24 November 2017 on amendments to selected laws targeted at limiting treasury frauds.[15] STIR is used to determine risk factors used by the Head of National Revenue Administration (hereinafter: NRA Head) to analyse risk. STIR is used as a channel for transferring information, data and requests both to the NRA Head and from it (e.g. information on the risk factor to the NRA Head, banks and SKOK[16] and requests of the NRA Head to block the account of an eligible entity[17]).

For TGS, STIR serves the purpose of determining the risk of fraud. The subject literature mentions that such a solution is intended to seal the TGS collection system (Kopyściańska, 2019b, 151). In the years 2015–2016, fiscal audits discovered a reduction in treasury incomes of ca. 19.8 billion zloty as a result of TGS frauds (Kopyściańska, 2019b, 153).

Regulations relating to STIR have been included in Section IIIB of Tax Ordinance, titled "Counteracting use of the financial sector for tax frauds". In Article 119zg point 6 Tax Ordinance, the legislator introduces a definition of STIR, according to which it is understood as "an IT system of the clearing house meeting minimum requirements for IT systems determined in the provisions of law issued on the basis of Article 18 of the act of 17 February 2005 on digitalization of entities providing public administration services". In line with Article 119zha § 1 Tax Ordinance, the intended use of STIR is to:

1) receive and process data for the purpose of determining risk factors;
2) transfer data and information on risk factors to the Central Tax Data Record and IT system of banks and savings and credit unions;
3) intermediate in transfers of data, information and requests between the Head of NRA, banks and savings and credit unions.

Moreover, STIR can optionally be used also in cases where individual provisions of law allow for using the IT system described therein without indicating the entity operating such a system for the purpose of implementing goals determined in these provisions. However, the conditions for using STIR include an agreement between the minister competent for public finance or the NRA Head and the clearing house determining the method of using STIR for processing data or information determined in Article 119zha § 2 Tax Ordinance. The agreement may also determine the method of financing the costs connected with using STIR. The subject literature stresses that the "accepted solution is aimed at optimal use of the functionalities of the STIR system" (Teszner, 2022, 1230).

The clearing house is the entity responsible for creating and managing STIR. Its obligations can be divided into: 1) subject-matter obligations and 2) technical obligations - connected with running it (Teszner, 2022, 1233). In particular, essential issues connected with STIR opera-

[14] Act of 29 August 1997 Tax Ordinance (i.e. Journal of Laws of 2018 item 800); hereinafter: Tax Ordinance

[15] Journal Laws of 2021, item 1154.

[16] Credit and Savings Unions.

[17] In line with Article 119zg point 4, Act of 29 August 1997 Tax Ordinance (i.e. Journal of Laws of 2018 item 800; hereinafter: Tax Ordinance), eligible entity shall be understood as: 1) a natural person being an entrepreneur within the understanding of Article 4 item 1 of the act of 06 March 2018 - Entrepreneurs' Law); 2) a natural person engaging in gainful employment at his or her own account, who is not an entrepreneur within the understanding of the act of 06 March 2018 - Entrepreneurs' Law; 3) a legal person; 4) an organizational entity without legal personality to which the act assigns legal capacity.

tions include developing algorithms listed in Article 119zn § 3 Tax Ordinance or determining the risk factors. These activities are performed exclusively by authorised employees of the clearing house, meaning that they cannot be commissioned to external entities. This is because copyright-protected algorithms, on the basis of which a risk factor is determined, are subject to secrecy and, in line with Article 305r Tax Ordinance, making such information public or using it without authorisation is subject to criminal proceedings. The clearing house may commission an external entity with a task connected to technical operation, repairing or changes in system functionality. Such an order needs to be based on a written agreement approved by the NRA Head.

At this point, it is worth pointing to the political position of the Head of KAS.[18] Pursuant to Article 11 of the Act of 16 November 2016 on the National Revenue Administration,[19] the NRA Head is an authority of the National Revenue Administration. The tasks of the Head of KAS include:

1) supervision of the activities of the director of the National Tax Information, directors of tax administration chambers, heads of tax offices, heads of customs and tax offices, the director of the National Tax School, and directors, competent in KAS matters, of organisational units in the office supporting the minister competent for public finances;
2) shaping the personnel and training policy in KAS organisational units;
3) implementing the state budget to the extent specified for KAS;
4) performing customs and fiscal control in terms of the correctness and truthfulness of the asset declarations submitted by persons employed in KAS organisational units and by officers;
5) counteracting tax avoidance;
6) cooperating with competent authorities of other countries, as well as international organizations and international institutions;
7) providing physical and technical protection to persons employed in KAS organisational units and to officers, and in justified cases also to other persons, bodies and state institutions;
8) conducting analytical, forecasting and research activities and risk analysis.[20]

Moreover, the Head of the NRA is an authority of a higher rank in relation to the directors of the tax administration chamber. The NRA Head, in order to ensure the efficient and effective performance of tasks, in particular supervision of the activities of the director of the National Tax Information, directors of tax administration chambers, heads of tax offices, heads of customs and tax offices, school director and directors of organizational units of the office supporting the minister and shaping personnel and training policy at KAS, may issue orders.[21]

In line with Article 119zn § 1 Tax Ordinance, the NRA Head performs risk analysis for the use of activities of banks and savings and credit unions for purposes connected with fiscal frauds, including TGS frauds. The clearing house determines the risk factor in STIR automat-

[18] National Revenue Administration.

[19] Act of 16 November 2016 on the National Revenue Administration (i.e. Journal of Law of 2022 item 813; hereinafter: NRA Act).

[20] Article 14 item 1 NRA Act.

[21] Article 14 item 3 NRA Act.

ically and it makes it at least once a day, based on automated processing, provided that the purposes and conditions specified in the Tax Ordinance are met. This processing may be based on personal data revealing racial or ethnic origin and biometric data, provided that the purposes and conditions set out in the Tax Ordinance are met. This factor is determined with reference to the eligible entity on the basis of algorithms developed by the clearing house, taking the best practices of the bank and savings and credit unions sector relating to counteracting activities bring used for crimes and fiscal crimes into account, and:

1) economic criteria consisting of the eligible entity's assessment of the transaction with the use of its account in an economic setting, in particular from the point of view of the goals of its business activities or making transactions not justified by the character of the activities;
2) geographical criteria, consisting of making transactions with entities from countries with high risk of fiscal fraud;
3) subject-matter criteria, consisting of eligible entities running high risk business activities from the perspective of susceptibility to fiscal frauds;
4) behavioural criteria, consisting of atypical, as for a given situation, behaviour by the eligible entity;
5) relational criteria, consisting of the existence of links between the eligible entity and other entities as to which there is a risk that they may participate in activities related to fiscal frauds or organise such actions.

The clearing house presents information on risk factors exclusively to the Head of NRA, the bank and savings and credit union in relation to the account of eligible entities managed by 1) this bank or savings and credit union; 2) other banks and savings and credit union if opening their first account for the eligible entity by this bank or savings and credit union.

Based on information and data mentioned in Article 119zp § 1 Tax Ordinance, the clearing house presents the NRA Head at least once a day with:

1) information on accounts of eligible entities managed and opened by banks and savings and credit unions.
2) information on total amounts of credits and debits to accounts of the eligible entities relating to transactions crediting or debiting account mentioned in Article 119zp § 1 point 3 Tax Ordinance;
3) daily breakdown of transactions relating to accounts of the eligible entities for transactions other than those listed in point 2.

Moreover, for the purpose of verifying supplementing information held by the NRA Head and necessary for performing tasks related to preventing the use of the financial sector for fiscal frauds, the NRA Head may request that the bank or savings and credit union present additional information specified in Article 119zs § 1 Tax Ordinance.

The results of risk analysis are crucial for the NRA Head, as on this basis s/he may request the account of the eligible entity to be blocked for a period not exceeding 72 hours if it results from the information that this entity may use the business of banks or savings and credit unions for purposes related to fiscal frauds and other activities aiming at a fiscal fraud. Moreover, this blocking must be necessary to counteract the illegal process. The significant competences of the NRA Head include possibilities of extending this blocking. In line with Article 119zw Tax Or-

dinance, the NRA Head may prolong, by means of a resolution, the blocking period of account of the eligible entity for a specified period not exceeding 3 months if there is justified threat that the eligible entity will fail to perform the existing or future tax obligation or obligation from tax liabilities of third parties exceeding the PLN equivalent of EUR 10,000 converted with mean currency exchange rate published by the National Bank of Poland on the last day of the year preceding the year in which the resolution was passed. It is worth mentioning that blocking is not absolute as, upon the application of the eligible entity, the NRA Head may, by means of a resolution, agree to withdraw, from the blocked account of the eligible entity monies, *inter alia,* for payment of remuneration for work based on job contracts concluded at least 3 months before the account was blocked together with advance payment for PIT and contributions to social security schemes due together with the remuneration. This is done upon presentation of a payroll copy and a document from ZUS, the Social Insurance Institution, confirming registration of the employee(s) for insurance purposes based on a job contract. Moreover, the NRA Head may, by means of a resolution, agree on:

1) payment of tax liability or customs liabilities before the payment deadline from the blocked account of the eligible party upon application of the eligible entity, detailing the tax or customs liability, its amount and head of the internal revenue office competent for collecting it;
2) releasing monies from the blocked account of the eligible entity upon its request, in special, justified cases.

The NRA Head may also, by means of a resolution, release monies from the blocked account of the eligible entity for payment of outstanding tax or duty together with late payment interest in cases of:

1) filing a return, corrected return or customs declaration;
2) issuing a final decision determining the amount of tax or customs liability, confirming the existence of overdue tax or duty;
3) making the decision determining the amount of tax or customs liabilities, or confirming the existence of overdue tax or duty immediately enforceable.

A complaint may be filed against an above-mentioned resolution passed by the NRA Head and it shall be examined without delay, but no later than within 7 days of receiving it. In line with Article 239, in connection with Article 221 § 1, this complaint is examined by the NRA Head.

Article 119zzc § 1 Tax Ordinance provides for a catalogue of situations when the account block may be suspended, among others as a result of examining a complaint over the resolution on blocking the account.

Account blockage has its consequences in TGS for the eligible entity. In the case of blocking its account in line with Article 96 item 9 point 5 TGS law, the head of Internal Revenue routinely deletes the payer from the record of VAT tax payers without the necessity of informing it, if the information is clearly indicative of the tax payer engaging in activities aimed at using the business of banks or savings and credit unions for purposes related to fiscal frauds.[22] There-

[22] What is essential is that there is no legal definition of a "fiscal fraud", therefore it seems necessary to interpret this phrase based on linguistic criteria.

fore, applying account blocks and deleting tax payers' records from VAT makes such an entity unable to use its VAT account. In practice, blocking the TGS settlement count will prevent the taxpayer from using its VAT account.[23]

4 Summary

The introduction of both the split payment mechanism and the STIR IT system is connected with Ministry of Finance intensifying actions related to the so-called "fiscal frauds". There is no doubt that increasing problems with TGS frauds required the state to apply new measures for fighting tax frauds. Despite treasury revenues from TGS increasing in the last years, it is still too early for a final assessment of the split payment mechanism and STIR.

The advantages and disadvantages of the described tools can be presented. For the split payment mechanism, the major advantages include, among others, quicker reimbursement of TGS, and the exclusion of solidary liability or protection against increased interest rates. The major disadvantages including "blocking" money: as a rule the tax payer cannot use the TGS money. It is the buyer who has the right of choice regarding split payment and there are doubts emerging related to possible violation of VAT neutrality rules by this settlement system (Kopyściańska, 2019a, 149).

From the point of view of fighting TGS frauds and evasions, the STIR IT system is a much-needed tool. However, the main disadvantage of this system includes increasing areas of uncertainty relating to running business activities in Poland (Kopyściańska, 2019b, 165). The unclear criteria for developing algorithms put honest tax payers at risk of their accounts being blocked, which may influence their financial liquidity.

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