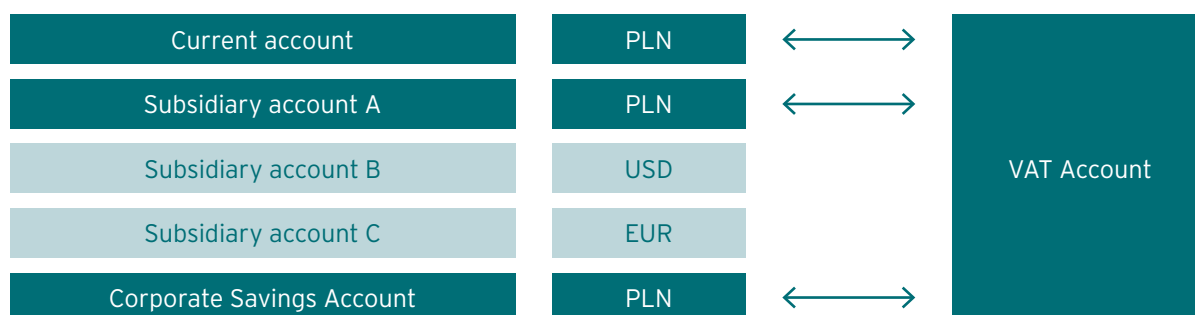


# Split Payment - basic information

We would like to inform you that as of 1 July 2018, provisions of the Act of 15 December 2017 Amending the Act on Tax on Goods and Services and Certain Other Acts (the "Act") will take effect, which introduce regulations concerning the MPP/Split Payment mechanism. Below please find the most important information related to the VAT Account and to MPP/Split Payment.

## VAT Account

- ✓ **A single VAT Account** for each Account Holder (opened without the Customer's instruction).
- ✓ **Each PLN settlement** account will be linked to a VAT account.



- ✓ The **VAT Account can be viewed** by all Representatives who have access to the associated PLN settlement account.
- ✓ **Until 30 June 2018, the VAT Account will remain inactive** and it will not be possible to debit or credit it until that date.
- ✓ The VAT account is **exclusively intended for the execution of incoming and outgoing transfers related to VAT** (pursuant to the Act) **with the use of the MPP/Split Payment mechanism**.
- ✓ Funds from the VAT Account may only be used for specific purposes, e.g. for invoice payments and for settlements with the Tax Office. It is possible to order a transfer from the VAT Account to another VAT Account maintained for the Account Holder by Citi Handlowy. **At the taxpayer's request, the head of a Tax Office** may consent to the transfer of funds from the VAT Account to a settlement account by way of a decision.
- ✓ **The VAT account is operated in the background** - transactions are ordered from/to the settlement account as before and there is no need to provide the VAT Account number to counterparties.
- ✓ The submission of instructions concerning the opening of **additional VAT Accounts**, which will be maintained for individual PLN settlement accounts, will be possible **as of 1 July 2018** via CitiPhone or at Bank Branches

## Citibank Online

- ✓ **As of 1 July 2018**, you will be able to execute transfers using the MPP/Split Payment mechanism as well as check the balance and transaction history of the VAT Account via Citibank Online.
- ✓ **Bank statements** for the VAT Account will be distributed on the terms applicable to the current account.

## MPP/SPLIT PAYMENT

As of 1 July 2018, you will be able to execute transfers using the MPP/Split Payment mechanism.

### Payments to counterparties - outgoing transfers:

- ✓ Making outgoing payments using MPP/Split Payment will be **optional**, so it will be possible to make transfers to counterparties in the same manner as before or use MPP/Split Payment instead.
- ✓ The Bank transfers the **VAT amount** from the VAT Account to the settlement account (or the balance of the VAT Account if the balance in the VAT Account is lower than that indicated in the transfer instruction) and transfers **the full (gross) amount of the transfer** from the settlement account.

PLN settlement account	VAT Account
+23 (or up to account balance)	-23 (or up to account balance)
-123	

- ✓ If you decide to order payments using the MPP/Split Payment mechanism via Citibank Online, you will be presented with the newly designed MPP/Split Payment creation view. You will order an MPP/Split Payment transfer for the gross amount, as before, but additional information should be indicated in transfer description, i.e.:
  - VAT amount;
  - your counterparty's identification number for tax purposes;
  - invoice number;
  - additional text (optional).

The individual components (VAT amount, NIP tax identification number, invoice number, comments) will be displayed as separate fields in the Citibank Online transfer form.

### Payments from counterparties - incoming transfers:

- ✓ If you receive an MPP/Split Payment transfer to a settlement account associated with the VAT Account, the Bank is **obliged** to apply the MPP/Split Payment mechanism.
- ✓ The Bank **posts the full (gross) amount of the transfer** to the settlement account and then **transfers the VAT amount** from the settlement account to the VAT Account

PLN settlement account	VAT Account
+123	
-23	+23

In the case of transfers using the **transaction import** functionality, a new transfer file structure should be used in accordance with the logic indicated in [Description of the "Transaction import" functionality - the structure and description of the import file.](#)

## Fees and charges

- ✓ The opening and maintenance of the VAT Account **will be free of fees and charges.**
- ✓ The fee for a single outgoing transfer **remains unchanged** both for regular payments and for payments executed using the MPP/Split Payment mechanism.

## Split Payment, VAT Account - selected aspects

### Tax aspect

- ✓ **Tax refund** from the Tax Office to the VAT Account: the Act allows accelerated VAT refunds (within 25 days) to the VAT Account.
- ✓ New process: **Tax Office head decision** concerning the transfer of funds from the VAT Account to the settlement account: the head of a Tax Office may consent to the transfer at the taxpayer's request. After the consent has been submitted to the Bank, the Bank transfers the funds in the amount specified in the aforementioned decision, but not greater than the balance of the VAT Account.
- ✓ If you pay a counterparty using the Split Payment mechanism, you are not subject to **VAT sanctions** or to **joint and several liability** (up to the amount of tax arising from the invoice received which is paid using the Split Payment mechanism).
- ✓ If you have accumulated a sufficient balance in the VAT Account to cover the entire amount of VAT due to the Tax Office, the amount of VAT paid to the Tax Office before the due date may be **lower** than that resulting from the VAT return filed (discount).
- ✓ If 95% of your input tax within a given period results from Split Payment, no **increased interest on VAT arrears** applies to this period.
- ✓ If you decide to receive VAT refunds from the Tax Office to the VAT Account rather than to the settlement account, **the tax refund period is reduced to 25 days** (versus 60 days for standard refunds), which may effectively improve your company's liquidity.

### Business aspect

- ✓ Funds in the VAT Account are **less liquid** than those in the current account. If the balance of your VAT Account is positive (e.g. a counterparty has made a payment for an invoice using Split Payment) and you want to make a payment for an invoice to another counterparty, you have the following choices:
  - **payment by regular transfer** - this may result in the inefficient use of funds (outflow of more liquid funds, leaving less liquid funds in the account);
  - **payment using Split Payment** - this results in the efficient use of funds (outflow of less liquid funds, leaving more liquid funds in the account).
- ✓ Risk of **liquidity bottlenecks** due to liquidity restrictions on the funds accumulated in VAT Accounts. Additional financing or increasing the share of payments you execute using Split Payment may be required.



**Bank Handlowy w Warszawie S.A.** with its registered office in Warsaw, at ul. Senatorska 16, 00-923 Warsaw, entered in the register of entrepreneurs of the National Court Register by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Department of the National Court Register under number KRS 000 000 1538; Tax Identification Number NIP 526-030-02-91; share capital of PLN 522.638.400 fully paid-up. Citi and Citi Handlowy are registered and licensed trademarks of Citigroup Inc. Citigroup Inc. and its subsidiaries have also right to other trademarks used here in.