

## No limitation of the annual social insurance contribution base

The Ministry of Family, Labour and Social Policy has provided a bill amending the social insurance system act (hereinafter referred to as: the Act), pursuant to which as of January 2018 there will be no limitation of the annual contribution base for pension insurance. The entry into force of the proposed changes will - in the case of better paid workers - translate into the increase of social insurance contributions settled by the employee and the employer, and in consequence into the decrease of the net remuneration for the employee and higher costs of remuneration for the employer.

### PLANNED AMENDMENTS

In the submitted bill the amendment of art. 19 of the Act is being proposed by cancelling the upper limit of the insurance contribution base for pension insurance as of 2018. Pension insurance contribution will be fully paid from the revenue, analogically as in the case of health and accident insurance.

### CURRENTLY BINDING PRINCIPLES

Pursuant to the currently binding provisions, the annual contribution base for pension insurance of the employees in a particular calendar year cannot be higher than the amount corresponding to thirty times the forecast average monthly remuneration in the national economy for a given calendar year. In 2017 the amount was PLN 127.890,00. It is estimated that about 350 thousand people earn more than thirty times the forecast remuneration.

### CONSEQUENCES OF CHANGES

Below we present the influence of the proposed change on the level of social insurance contributions settled by the employee and the employer, the net remuneration and total remuneration costs for the employer.

Based on the presented calculation, the implemented amendments will result in the increase of the total remuneration costs for the employer and the decrease of the net remuneration for the employee. This issue may be of vital importance in the costs budgeting process in 2018.

We will notify you on the legislative process, however according to the government's announcements one may assume that the proposed amendments will enter into force as of the beginning of 2018.

### CALCULATION ASSUMPTIONS

1. Employee's annual gross remuneration amounts to PLN 240.000,00
2. Limitation of the social insurance contribution base in the amount of PLN 127.890,00 (binding in 2017)
3. Employer's insurance in the standard amount of 20.61%.

Current rules (in the annual perspective)	
Social insurance contributions - social insurance	PLN 20.280,41
Social insurance contributions - health insurance	PLN 19.774,76
Tax	PLN 40.625,00
Net remuneration	PLN 159.319,83
Employer's insurance contribution	PLN 31.234,91
After the implementation of the proposed amendments (in the annual perspective)	
Social insurance contributions - social insurance	PLN 32.904,00
Social insurance contributions - health insurance	PLN 18.638,64
Tax	PLN 37.565,00
Net remuneration	PLN 150.892,36
Employer's insurance contribution	PLN 49.464,00
<b>The increase of total remuneration costs</b>	<b>7%</b>
<b>The decrease of the net remuneration</b>	<b>-5%</b>

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