

Polish Deal. Employment – tax changes

The adopted package of amendments to tax laws referred to as the "Polish Deal" introduces significant changes in the taxation of income from employment contracts and business activity of natural persons. The new regulations enter into force as of the beginning of 2022. Below we present the most important changes for employees and persons cooperating on B2B contracts, which in our opinion deserve your attention.

GENERAL PROVISIONS

HIGHER TAX ALLOWANCE	As announced before, the tax allowance for all PIT taxpayers will increase to PLN 30 000 (currently it is PLN 8000).
RAISING THE TAX THRESHOLD	The next change is to raise the tax threshold for entering the higher income tax bracket from the current amount of over PLN 85 000 to PLN 120 000 p.a. Currently, taxpayers who earn up to PLN 85 000 annually pay tax at a rate of 17% . Income exceeding the annual limit of PLN 85 528 is taxed at 32% . After the amendment, the 32% rate will apply to income above PLN 120 000.
HEALTH INSURANCE CONTRIBUTION DEDUCTION	In exchange for the higher tax-free allowance and the increased second tax threshold, the government announced changes to the rules for deducting health contributions. After the amendments, the contribution will still be 9%, but it will not be in any part tax deductible as it is now . For high earners, this will mean a tax increase of 7.75 percentage points – the Ministry of Finance has announced a relief for the middle class to offset the higher tax.
TAX RELIEF FOR MIDDLE CLASS	Tax relief for middle class is intended for individuals with income from 68.4 thousand PLN up to 133.6 thousand PLN per year. It will mean that these people, despite the inability to deduct health insurance contributions, will not pay a higher income tax. An amendment was also introduced, according to which the tax relief for the middle class will be available to entrepreneurs who settle according to the tax scale (originally it was planned only for employees).
HEALTH CONTRIBUTION FOR THE MEMBERS OF THE BOARD OF DIRECTORS AND COMMERCIAL PROXIES	Pursuant to the new regulations, the obligation to pay health insurance has been extended to persons appointed to perform functions under a deed of appointment and who receive remuneration on this account. This means that from 1 January 2022 such persons are obliged to pay health insurance premiums in the amount of 9% of the basis, which is the amount of remuneration specified in the act of appointment. This results in the necessity to register members of the management board and proxies with ZUS institution and to submit monthly ZUS reporting. As the payer of the health insurance premium is the company, if it does not currently perform this role, it will be necessary to submit application documents in order to register it as a premium payer. It is also recommended to create an information profile in the PUE ZUS tele-information system, as the new regulations impose an obligation for all payers to have it starting from 1 January 2023.

	<p>It should also be emphasized that the legislator has not provided for any exemptions in this respect. Non-residents residing outside Poland will also be subject to the above obligation, unless they present a document confirming their affiliation to the insurance system in another EU/EEA country or in a country with which Poland has concluded an agreement on social security. For persons from EU countries, such confirmation will be the current A1 form issued by a foreign social security authority.</p> <p>As with other groups, here too the health insurance premium will not be deductible from personal income tax.</p>
TAX EXEMPTIONS	<p>From 2022, there are new tax exemptions referring to:</p> <ul style="list-style-type: none"> ■ parents of at least four children ■ senior citizens who, despite being 60 years old (women) and 65 years old (men), resign from receiving a pension or an annuity in order to continue working or running a business ■ people returning from abroad. <p>These persons, after meeting the conditions set out in the act, will not pay tax on income amounting to PLN 85 528 annually. The total sum of income exempt from tax cannot exceed PLN 85 528 in a tax year.</p>
NEW DEADLINES FOR THE PAYMENT OF ZUS CONTRIBUTIONS	<p>For most payers, the deadline for submitting ZUS reporting and paying health insurance and social security contributions will change. For budgetary units and local government budgetary establishments the deadline will remain unchanged – until the 5th day of the following month.</p> <p>For other contributors, the deadline will depend on whether they have a legal personality or not:</p> <ul style="list-style-type: none"> ■ by the 15th day of the following month will pay and settle for a given month among others capital companies (joint stock companies and limited liability companies), cooperatives, associations, foundations ■ other payers, e.g. those paying contributions only for their own insurance, partnerships (general partnerships, limited partnerships, limited joint-stock partnerships) will be obliged to do so until the 20th day of the following month.
COMPANY CARS	<p>The lump sum allocated to an employee for using a company car for private purposes will no longer depend on the engine capacity, but on its power. A lower lump sum of PLN 250 will be charged to employees using vehicles with a power of up to 60 kW, electric cars and hydrogen-powered cars. A higher amount of PLN 400 will apply to all other vehicles.</p> <p>As a result of the changes, there will be an increase in the number of employees for whom the binding monthly rate of declared income will be PLN 400, rather than PLN 250. This will translate into higher income tax and social security contributions to be paid by these persons. The income added for the use of a car will be the basis for calculating social insurance contributions and non-deductible health insurance contributions.</p> <p>It should be emphasized that the lower lump sum (PLN 250) applies only to electric cars and does not include hybrid cars.</p>
ILLEGAL EMPLOYMENT	<p>The new regulations contain provisions aimed at combating illegal employment of workers ("black economy" employment), including mainly cases of providing work without a signed contract. From the new year, employees will not bear the consequences of illegal employment. The provisions of the "Polish Deal" transfer the legal consequences to the dishonest employer.</p>



Stay updated >>> [subscribe to our newsletter!](#)

The employer will have to add the employee's salary to his business income and pay tax on it. There is also an additional sanction in the form of additional income, i.e. for each month in which the employer hired an employee illegally, he will have to charge income in the amount of the minimum wage (next year it is to be PLN 3 010 per month). This income will arise on the day when the illegal employment is established. The rules for the settlement of insurance premiums are also changing. From 2022, the principle is introduced that the entire burden of ZUS contributions in the case of illegal employment is borne by the employer. In addition, these premiums will not be able to be classified as tax costs by the employer.

The new legislation also introduces incentives for employees to disclose illegal employment. According to the new tax regulations, the employee's income from illegal employment and the income in the part in which the employer did not disclose it to the competent state authorities will be exempt from tax. The exemption comes into force on 1 January 2022, but according to the transitional provision introduced, it also applies to cases occurring before that day.

NATURAL PERSONS RUNNING A BUSINESS

HEALTH CONTRIBUTION TO ENTREPRENEURS

Entrepreneurs, including sole proprietorships (self-employed persons) and partners of partnerships await large and unfavorable changes in the rules of paying health insurance contributions. This contribution will be calculated in the same way as for employees, i.e. depending on the total income in a given month. Additionally, just like for employees, the health insurance premium will not reduce the tax. Compared to the current solution, where the contribution is flat-rate (regardless of income) and is tax deductible, it means an increase in the effective burden on entrepreneurs. The Ministry of Finance also announced that it is not working on changes to tax deductible costs or social security contributions.

Flat taxpayers will pay a health insurance premium of 4.9% income, but not less than PLN 270 (the minimum amount of the health insurance contribution depends on the minimum wage).

For people who settle with a flat-rate tax (lump sum on recorded income) thresholds will be set, according to which people with annual income up to 60 thousand PLN will pay a premium of 9% from 60% average wage in the enterprise sector in the fourth quarter of 2020. For companies with revenues between PLN 60 000 PLN and 300 thousand PLN, the premium will be calculated from 100 percent of average salary, and for companies with revenues over 300 thousand PLN from 180% of average salary.

NEW SOCIAL INSURANCE INSTITUTION (ZUS) FORMS FOR ENTREPRENEURS

Due to changes in the basis for the assessment of the health contribution for persons conducting business activity from January 2022, the templates of the ZUS DRA and ZUS RCA settlement (reporting) documents will change. In these documents, entrepreneurs will provide additional information, such as the form of taxation in a given month, revenue or income.

OTHER CHANGES

- In 2022, the amount of the limitation of the annual basis for the assessment of contributions for pension and disability insurance will increase from the current PLN 157 770 to PLN 177 660.
- The basic allowance for the Social Benefits Fund in 2022 per employee employed under normal working conditions will increase from PLN 1550,26 to PLN 1662,97.
- The minimum remuneration for work in 2022 will amount to PLN 3010 gross (increase by PLN 210, i.e. 7.5%). The minimum hourly rate in 2022 will amount to PLN 19,70 gross per hour.
- Elimination of preferential settlement for single parents and replacing it with a deduction of PLN 1500 per year from tax.



Stay updated >>> [subscribe to our newsletter!](#)

- Taxation of income from the sale of an asset (e.g. a car) leased out and bought out to private property if the sale is made within six years of buy-out.
- Lowering some lump sum rates on recorded revenues (e.g. for some IT services a reduction from 15% to 12%).

This document has been prepared for information purposes only and covers general nature. Before taking any action based on the above information, we recommend that you obtain a valid opinion of TPA experts.

CONTACT US



Łukasz Korbas
Partner
+48 603 558 869
lukasz.korbas@tpa-group.pl



Magdalena Siedlecka
Senior Manager
+48 693 460 290
magdalena.siedlecka@tpa-group.pl



Agnieszka Skonieczna
Manager
+48 604 999 375
agnieszka.skonieczna@tpa-group.pl



Beata Ćwiklińska
Manager
+48 787 094 821
beata.cwiklinska@tpa-group.pl

TPA is a leading international consulting group, offering comprehensive business advisory services in 12 countries of Central and Southeastern Europe.

In Poland, TPA is one of the largest consulting companies. We provide international corporations and large domestic companies with effective business solutions in terms of tax advisory, accounting and payroll outsourcing, real estate advisory and personnel consulting, as well as audit and business advisory services under the **Baker Tilly TPA** brand. Legal services, provided under the **Baker Tilly Legal Poland** brand, have been a natural addition to our interdisciplinary services.

TPA Poland, Baker Tilly TPA, and Baker Tilly Legal Poland are the exclusive representatives of **Baker Tilly International** in Poland – one of the largest global networks of independent consulting companies.

As a member of Baker Tilly International, we combine the advantages of integrated, interdisciplinary “one-stop-shop” services with local expertise and global reach of the advisory group.

www.tpa-group.pl | www.bakertilly.pl



Stay updated >>> [subscribe to our newsletter!](#)

Albania | Austria | Bulgaria | Croatia | Czech Republic | Hungary
Montenegro | Poland | Romania | Serbia | Slovakia | Slovenia

 **bakertilly**
A Baker Tilly
Europe Alliance member