



DORADZTWO
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ASSUMPTIONS OF THE 'POLISH DEAL' PROGRAM - SIGNIFICANT CHANGES IN PERSONAL INCOME TAXATION AND SOCIAL SECURITY (MAY 2021)

On May 15, 2021, the general assumptions of the "Polish Deal" program were presented.

Changes to employees' personal taxation (PIT) and social insurance (ZUS) are crucial factors of the program. New rules are to be applied to individuals employed on the basis of employment contracts, civil law contracts as well as to entrepreneurs.

Taking into account additional explanations of the Ministry of Finance below we present key assumptions of the reform in the area of PIT and ZUS.

The changes are to be adopted by the Polish Parliament later this year and, as a rule, they would come into force from 2022. Please note that the relevant acts of law have not been published yet.

1. Healthcare contributions paid on income

- The possibility of paying a flat-rate healthcare contributions for business activity (currently the premium amounts to PLN 381.81 per month, regardless of the amount of revenues/income) is to be abolished.
- Contributions to health insurance are to be paid proportionally on the income earned reduced by social security contributions.
- The rate of health insurance contribution would remain unchanged i.e. 9% of the contribution basis.
- There is no information whether the changes will apply only to individuals who are self-employed, or also, for instance, to partners of limited partnerships, partnerships, limited liability companies.
- Currently, there is no information on method of calculating the contribution in the case of entrepreneurs subject to flat taxation or tax card.

2. Abolition of the deduction of healthcare contributions from the tax

- It is planned to abolish the possibility of deducting the healthcare contribution from the tax (currently it is allowed to deduct up to 7.75% of the contribution basis).

- In extreme cases, the changes would increase the total fiscal obligations of employees and entrepreneurs from 1.25% to 9% (the equivalent of the non-deductible healthcare contribution).

3. Changes to the tax scale

- It was announced that the threshold of the first tax rate would be raised from approx. PLN 85,000 to PLN 120,000.
- Currently applicable tax rates, i.e. 17% (for income up to PLN 120 thousand) and 32% (for income over PLN 120 thousand) are to be remained.

4. PIT tax-free allowance

- The tax-free amount is to be increased to PLN 30,000 per annum.
- The tax-free allowance will be available to all individuals obtaining income from employment relationship.
- The deduction would be applicable in annual tax return.

5. Additional relief for some employees

- A tax relief for individuals with employment contracts, who earn between PLN 70,000 – 130,000 gross, has been announced. The purpose of the relief is to compensate the inability to deduct healthcare contributions from tax.

6. Social insurance contributions on mandate contracts

- It is planned to make mandate contracts subject to all social insurance contributions. In the future, the uniform work contract is to be implemented.
- There is no information on how the provisions regarding confluence of insurance titles will be applied to mandate contracts.
- The 'Polish Deal', in the current version (May 2021), does not refer to contributions for contracts for specific work.

7. Remote work with per diem allowance / lump tax

- It is planned to introduce provisions enabling remote work from any place with the use of equipment provided by the employer.
- The per diem allowance or lump sum formula for remote work - there is no information in what amount and on what terms these benefits will be due to employees and whether they will be taxed and subject to contributions.

8. Tax relief for returning to Poland

- A special tax relief amounting to PLN 50,000 would reduce the tax base of returnees from emigration.
- The relief would be available in tax returns for 2022 and 2023.



9. Lump tax for foreign income when changing tax residence

- A solution is planned for non-residents, who decide to switch their tax residence to Poland.
- There is no information whether the lump tax will be calculated on revenues or incomes as well as to which sources it will apply. Tax rates have not been announced also.

If you are interested in obtaining further information, or would like to discuss the impact of the above judgment please contact:

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