



Polish Order and salaries

key changes for employees
from 1 January 2022

Accounting / Audit / Tax / Advisory

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Polish Order - how will it change salaries?

Higher tax-free amount

From 1 January 2022, the tax-free amount increased from PLN 8 000 to **PLN 30 000**. At the same time, the tax-reducing amount has increased from PLN 43.76 per month to **PLN 425** per month.

What does this mean for employees?

- Employees with income of up to **PLN 2 500** per month will be fully exempt from personal income tax.
- As a result of the increase of the tax reducing amount, when calculating the monthly advances for employees' income tax, employers will deduct **PLN 425 per month** (PLN 43.76 in 2021). This means that each month an employee will pay an advance income tax payment lower by PLN 381.24 than in the year 2021.
- Using the tax-free amount is only possible if taxed according to the tax scale - 17% and 32%. Therefore, it does not apply to persons on B2B contracts settling according to the flat rate, lump sum or tax card.

NOTE: The employer is entitled to deduct the tax-reducing amount only if an employee submits a PIT-2 form.

Persons who have not submitted PIT-2 form do not lose their right to take advantage of the tax-free amount. However, they will benefit only in the annual tax return - in the form of a refund of overpaid tax.

PIT-2

- The PIT-2 form is filed once, usually before the start of employment with a particular employer and is valid until revoked by the employee.
- It can only be filled with only one employer (if employed by more than one company).

What should be done?

Check whether you have submitted your PIT-2 form.

If you want to take advantage of the tax-reducing amount deductions, the PIT-2 must be filed with your employer no later than before the payment of your first salary in 2022.

PIT-2 should not be filed by people who are employed on a permanent basis and at the same time:

- Receive a retirement or disability pension
- Work for other employers
- Run a business that is taxed according to the tax scale

In such cases, you should check whether a PIT-2 form has been filed and consider requesting its withdrawal. Otherwise, the tax-reducing amount will be deducted at least twice (e.g., by each employer), and this will result in the need to return the wrongly accrued benefit in annual tax return.

Tax thresholds 2022

From 1 January 2022, individuals earning up to PLN 120 000 a year will pay a tax of 17%. In 2021, the threshold was PLN 85 528.

For income exceeding PLN 120 000, the excess over PLN 120 000 will be taxed at 32%.

Basis for calculating tax	Tax due
PLN 120 000	17% minus tax-reducing amount of PLN 5 100
Over PLN 120 000	15 300 PLN + 32% of the surplus over 120 000 PLN

What does this mean for employees?

- Persons with income below PLN 120 000 per year (PLN 10 000 per month) will fall under the first tax threshold and their income will be subject to 17% tax.
- Persons with income above PLN 120 000 per year (PLN 10 000 per month) will be subject to 32% tax.

Income tax is calculated according to income, not revenue.

To calculate the tax base, income from all sources counts, as well as all allowances such as for overtime and bonuses.



NOTE: Tax thresholds are for employees and entrepreneurs taxed according to the tax scale.



Middle class relief

The relief for the middle class will be available to persons hired on an employment contract and entrepreneurs paying taxes according to general rules, whose income is between PLN 5 701 and PLN 11 141 gross per month (PLN 68 412 and PLN 133 692 per year).

What does this mean for employees?

- The middle class relief will reduce the advance tax payments which will compensate for the higher expenditure on health contributions.

The middle class relief will be automatically calculated by employers for employees whose salaries fall within the above limits.

NOTE: If you exceed the eligibility threshold by even 1 PLN (e.g., as a result of receiving a bonus), you lose your right to the relief and have to return the whole received amount when settling the annual tax return.

If you think you may exceed the limit it is worth considering making a request to your employer not to include the middle class relief.

Health contribution not deductible from tax

The health contribution in 2022 will amount to 9%, that is the same as in 2021. The exceptions are persons running sole proprietorships (JDG), who settle on a flat rate - in this case the contribution will amount to 4.9% of income.

The biggest change is the way in which the contribution is taxed - previously 7.75% of it could be deducted from the tax base, now this possibility has been abolished completely.

What does this mean for employees?

- The lack of health contribution deduction from tax means an increase in the tax burden for most employees, i.e., a lower net salary. The negative effects of this change primarily affect persons earning **from 5700 PLN gross and more** - the higher the salary, the higher the loss.
- To compensate for this, a so-called middle class relief has been introduced, reducing tax for persons earning **between PLN 5701 gross and PLN 11 141 gross per month**.

Resignation from the middle class relief

If an employee decides to request for non-application of the middle class relief, he/she should do so as soon as possible - preferably before the first salary payment in 2022.

If an employee fails to file his/her request in time and does so later (during the year), the relief will not be calculated from his/her subsequent salary.

TEMPLATE REQUEST

Zero PIT

Under the new provisions, additional reliefs have been introduced for selected groups of taxpayers.

The so-called PIT-0, or tax exemption, in 2022 is available for:

- **4+ families** (for those who, during the tax year, exercised parental authority over at least four children, acted as legal guardian, or if the child lived with such a person, or for those who acted as a foster family),
- **For those returning to the country** (a minimum of three years of residence and work abroad before deciding to return to the country, the relief shall be valid for a period of 4 years),
- **Recipients of retirement and disability pensions** of a maximum amount of PLN 2 500 per month,
- **Senior citizens:**
 - with an employment contract,
 - working under contracts of mandate,
 - running a sole proprietorship business and paying taxes in accordance with the tax scale, flat tax or a lump sum,who, despite having attained their retirement pension rights, choose not to collect their pensions and continue to be professionally active.

Zero PIT, under the same rules as in 2021, will also cover employees under the age of 26 employed under a contract of employment, outwork and mandate.



Child relief

A family tax relief is available if you have children:

- who are under 18 years of age,
- with no age limit if in 2021 they received a nursing allowance or social pension,
- up to the age of 25, studying in Poland or abroad
- who earn less than PLN 3089.

Entitled taxpayers can deduct the following amounts in their 2021 tax return:

- PLN 92.67 per month (PLN 1 112.04 per year) for the first child (taxpayer income limit - PLN 112 000 for married couples and single parents, PLN 56 000 for unmarried persons),
- PLN 92.67 per month (PLN 1 112.04 per year) for the second child,
- PLN 166.67 per month (PLN 2 000.04 per year) for the third child,
- PLN 225.00 per month (PLN 2 700.00 per year) for the fourth child and further children.

Lower tax and family relief

Child/children relief is deducted from tax, so a tax exemption or reduction in tax (e.g., through a higher tax-free amount) may result in no relief being available or the full amount of the relief not being available.

Relief for single parents

From 1 January 2022, the existing rules for tax returns with a child are replaced by the option to claim a tax deduction of PLN 1 500 for a single person raising child(ren).

Example calculations

EMPLOYMENT CONTRACT

Monthly remuneration (PLN)	4 000	6 000	8 000	10 000
ZUS contributions	548.40	822.60	1 096.80	1 371.00
Health contribution 9%	310.64	465.97	621.29	776.61
Tax deductible costs	250.00	250.00	250.00	250.00
Tax-reducing amount (PIT-2)	425.00	425.00	425.00	425.00
Middle class relief	-	119.41	905.00	494.59
PIT advances	119.00	393.00	552.00	915.00
Net remuneration	3 021.96	4 318.43	5 729.91	6 937.39
Difference in annual salary (compared to 2021)	+1368.00	+12.00	+0.00	-139.00

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