



Crowe

Polish Order

key changes
from 1 July 2022

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Polish Order – remunerations after 1 July 2022

12% PIT in the first tax scale threshold

The key change is reduction of the basic PIT rate from 17% to 12%. Lower tax will be paid by taxpayers who settle according to a tax scale and fall within the 1st tax threshold (income up to PLN 120 000 a year).

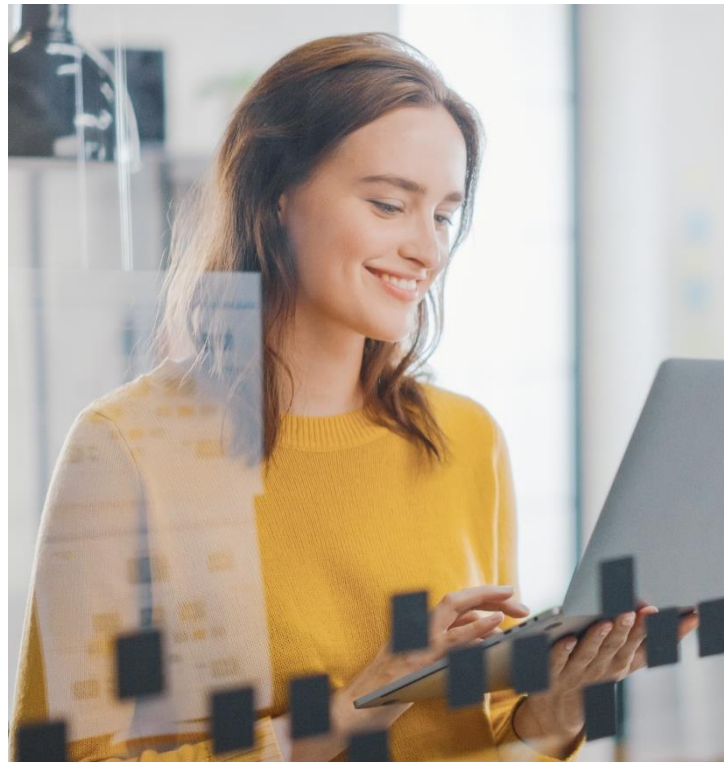
Basis for calculating tax	The tax shall be
Up to 120 000	12% minus tax-reducing amount of PLN 3 600
Over 120 000	10 800 PLN + 32% for the surplus over 120 000 PLN

The reduction applies to all taxpayers on the tax scale (e.g. sole traders taxed according to the general rules, employees, contractors, retired persons and disability pensioners).

At the same time, the tax-free amount of up to PLN 30 000 and the 2nd tax threshold of PLN 120 000 will be maintained.

Key dates

- The reduced tax rate will apply to income generated from 1 January 2022.
- When calculating advances, the reduced rate will apply from 1 July 2022. The pay for June paid in July 2022, should be settled according to the new rules.



Lower tax-reducing amount

As a result of the change of the tax rate, a new tax-reducing amount will apply. Currently it amounts to PLN 5,100 annually, from 1 July 2022 it will be PLN 3,600 annually, which means a reduction in the advance income tax payment by PLN 300 a month (previously it was PLN 425 a month).

The introduction of new solutions will not require taxpayers to make corrections to remuneration paid in the first half of the year. The final settlement under the new rules will be made by taxpayers in their tax returns after the end of the year.

Polish Order: Employment contract



Comparison of changes to net remuneration

Gross monthly remuneration	Net remuneration		
	Until 31 December 2021	From 1 January 2022 until 30 June 2022	From 1 July 2022
5 000	3 613,19	3 660,19	3 738,19
8 500	6 082,53	6 082,53	6 124,53
12 000	8 550,87	8 129,87	8 509,87
18 000	12 784,30	11 961,30	12 600,30

No obligation to calculate PIT advances twice

As a result of the reduction of PIT rate to 12% from 1 July 2022, the mechanism of calculating advance payments twice for 2022 will also be lifted.

No middle class relief

The relief, effective from 1 January 2022, was introduced for employees and entrepreneurs with income taxed on general rules amounting in total to between PLN 68,412 and PLN 133,692 annually. Its purpose was to mitigate the negative effects of not being able to deduct health contributions from tax.

From 1 July 2022, there will be no relief for income (revenue) already generated from 1 January 2022.



Use of middle class relief before 1 July 2022

Contribution payers including middle class relief from January 2022 to June 2022 will not be required to make corrections.

Important: If the liability calculated under the rules applicable from 1 July 2022 (without relief) is higher than the liability calculated under the rules applicable before 1 July 2022 (with relief), the head of the tax office will refund the resulting difference to a taxpayer.

Option to change the form of taxation during the year

The new choice of taxation form will be available only to entrepreneurs who settle on the basis of a flat tax or lump sum. They will be able to change their taxation only to the general rules (tax scale).

For flat-rate taxpayers (19%):

- Change to a tax scale only after the end of the year - by 2 May 2023 (PIT-36 return instead of PIT-36L);
- Tax scale applied to income for the whole of 2022, the change does not apply to subsequent years.

For those taxed on a lump sum from registered income:

- Change after year-end - by 2 May 2023 (PIT-36 return instead of PIT-28), scale applied to income for the whole of 2022, change does not apply to subsequent years;
- Change during the year - declaration submitted by 22 August 2022, scale applied only to income from 01.07 - 31.12.2022; two returns - PIT-28 and PIT-36; declaration has effect for the future.

For taxpayers with lump sum rental income:

- Change possible only after year-end - PIT-36 instead of PIT-28; scale applied to income for the whole of 2022.

Tax scale without an option to change

Taxpayers who, in 2022, have decided to settle under the general rules (i.e. according to a tax scale) will not be entitled to change their form of taxation during the year.



Changes to health contribution

For entrepreneurs running a sole proprietorship, the option of partial deduction of health contributions from income will be introduced (they will no longer be deducted directly from tax):

- up to the amount of PLN 8,700 in 2022 for persons conducting business activity taxed at a flat rate of 19%;
- 50% of the health contributions paid by persons conducting economic activity taxed as a lump sum from registered income;
- 19% of health contributions paid by self-employed persons taxed with a tax card.

When changing the form of taxation from a flat tax/lump sum to a tax scale:

- the monthly health contributions due for 2022 or the contribution year shall be collected, accounted for and paid on the basis of the rules applicable to the form of taxation chosen before the date on which the amendment enters into force;
- the annual health contribution due for 2022 or the contribution year beginning 1 February 2022 shall be collected, accounted for and paid on the basis of a tax scale.

The difference between the sum of the monthly contributions paid and the annual contribution due shall be refunded (if the difference is an overpayment) or settled (if the difference is an underpayment).

Other changes



Tax preferences for parents and guardians

The legislator, as part of the amendment of the tax regulations, introduces also changes concerning the application of tax allowances for parents and guardians, including single parents. Single parents will again settle the tax together with a child (in the previous version of the provisions of Polish Order they had a relief in the amount of PLN 1 500).

Apart from the reintroduction of joint settlements with a child, provisions include:

- increased child tax relief - a child can earn more without losing their parents' tax preferences - after 1 July this will be up to PLN 16,061.28 in 2022 (12 times the social allowance);
- extension of tax reliefs - the relief for families of 4+, the relief for the young, the return relief, and the relief for working seniors will also cover maternity benefits granted to parents and guardians bringing up children;
- preference - a child with a tax-free amount - family allowances of minor children will not be added to parents' income, a child treated as a separate taxpayer will benefit from a tax-free amount.

Health insurance for proxies

The provisions concerning the obligation of proxies to be covered by health insurance have been clarified - proxies have been directly included in the provision specifying the catalogue of persons subject to obligatory health insurance.

Contribution of general partners in limited joint stock partnership

From 1 January 2023, general partners in a limited joint-stock partnership will be covered by contributions as non-agricultural self-employed persons.

Change of deadline for filing PIT-28 and 28S

Extension of the deadline for filing PIT-28 and PIT-28S annual returns until the end of April of the year following the tax year.

The extended deadline will already apply for returns for 2022.

Higher amount for Public Benefit Organisations (OPP)

In the annual return for 2022, taxpayers will have the opportunity to donate 1.5% of the tax due to a public benefit organisation (previously it was 1%).



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