



Polish Order

the key changes
from 1 January 2022

Accounting / Audit / Tax / Advisory

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Polish Order – the changes in PIT from 1 January 2022

Change in the tax-free amount and tax threshold

A tax-free amount of PLN 30 000 will be introduced for all taxpayers who settle their income according to the progressive scale, including entrepreneurs (the free amount does not apply to entrepreneurs who settle with a flat tax). The introduced change will also affect the tax-reducing amount. Currently, the tax-reducing amount is PLN 43.76 per month, while from the new year it will be PLN 425 per month.

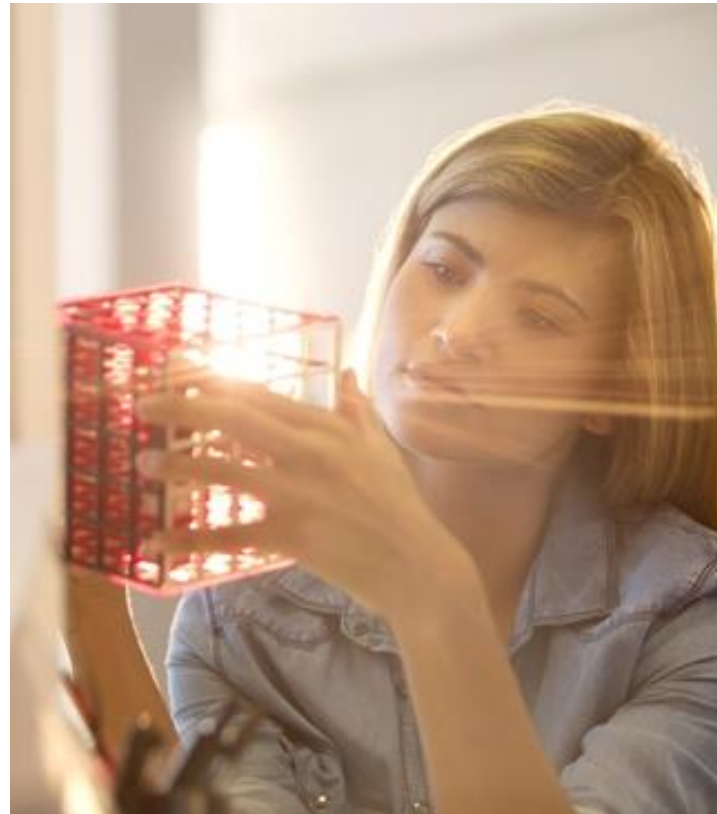
The 32% rate will apply to income above PLN 120 000 per year. Currently, it is PLN 85 528. After the change, a tax rate of 17% will apply to a tax base not exceeding PLN 120 000.

No tax deductibility of health contributions

At present, the health contribution is in most cases deductible from income tax (deduction of 7.75% of the calculation base). From 1 January 2022, it will no longer be possible to deduct any part of the health contribution from tax regardless of the form of taxation.

In order to prevent some taxpayers who, pay 17% tax from losing out on this change, a so-called middle-class relief has been introduced.

Under the so-called middle-class relief, the lack of tax deductibility of health contributions will not increase the taxes paid by individuals with incomes between PLN 68.4 thousand and PLN 133.6 thousand.



Middle-class relief

- It applies to individuals with incomes between PLN 68 412 and PLN 133 692
- It will be available for:
 - those working under the employment contract
 - entrepreneurs taxed under the general rules

Changes to the rules for calculating health contributions for sole traders

For taxation under the general rules, the amount of the health contribution will remain unchanged, i.e., 9%, however, it will be calculated upon real income and not, like now, upon a declared amount which is not lower than 75% of the average remuneration (which resulted in the payment of a lump-sum health contribution regardless of the income level). The health contribution will not be tax deductible. Furthermore, a minimum health contribution will be introduced: if, in a given month, the contribution assessment base is lower than the minimum remuneration or the entrepreneur makes a loss, the contribution assessment base will be the minimum remuneration for the given tax year (PLN 270 per month in 2022).

Taxpayers with a flat rate tax - the so-called "linear income taxpayers" - will pay a health contribution of 4.9% of their income (minimum PLN 270 per month), also without the option to deduct it from their tax. For persons conducting business activity taxed in the form of a lump-sum tax on registered income, the health contribution assessment base will depend on the average monthly remuneration in the enterprise

sector in the fourth quarter of the preceding year (a multiplier of 60%, 100% or 180%) and the achieved income (up to PLN 60 000, up to PLN 300 000 and over PLN 300 000).

Health contribution on the earnings of Management Board members

Persons appointed to office by virtue of a deed of appointment who receive remuneration will be required to pay a health contribution of 9% of the contribution assessment base, with no tax deductibility of any part of the contribution.

Obligation to pay health contributions

- applies also to members of Management Boards from abroad (certificate of protection)
- It is the payer's responsibility to declare a person who is appointed and receives remuneration to the insurance.

Polish Order: Flat rate



Comparison of changes in the settlement based on the assumptions of the Polish Order

Flat rate (19%)										
Income per year	60 000,00		120 000,00		180 000,00		240 000,00		300 000,00	
Income per month	5 000,00		10 000,00		15 000,00		20 000,00		25 000,00	
	Basic ZUS	Preferential ZUS	Basic ZUS	Preferential ZUS	Basic ZUS	Preferential ZUS	Basic ZUS	Preferential ZUS	Basic ZUS	Preferential ZUS
Social security contributions										
Social security contributions in 2021	12 908,00	3 189,00	12 908,00	3 189,00	12 908,00	3 189,00	12 908,00	3 189,00	12 908,00	3 189,00
Social security contributions in 2022	14 535,00	3 429,00	14 535,00	3 429,00	14 535,00	3 429,00	14 535,00	3 429,00	14 535,00	3 429,00
Health insurance contribution										
Health insurance contribution in 2021 (9%)	4 581,72	4 581,72	4 581,72	4 581,72	4 581,72	4 581,72	4 581,72	4 581,72	4 581,72	4 581,72
Health insurance contribution in 2022 (4,9%)	3 240,00	3 240,00	5 167,77	5 712,00	8 107,77	8 652,00	11 047,77	11 592,00	13 987,77	14 532,00
Personal income tax										
Advance tax payment in 2021	5 002,00	8 849,00	16 402,00	18 249,00	27 802,00	29 649,00	39 202,00	41 049,00	50 602,00	52 449,00
Advance tax payment in 2022	8 638,00	10 749,00	20 038,00	22 149,00	31 438,00	33 549,00	42 838,00	44 949,00	54 238,00	56 349,00
Net income - per year										
Net income in 2021	37 508,12	45 379,92	86 108,12	93 979,92	134 708,12	142 579,92	183 308,12	191 179,92	231 908,12	239 779,92
Net income in 2022	33 586,64	42 582,48	80 258,87	88 710,48	125 918,87	134 370,48	171 578,87	180 030,48	217 238,87	225 690,48
Difference	-3 921,48	-2 797,44	-5 849,25	-5 269,44	-8 789,25	-8 209,44	-11 729,25	-11 149,44	-14 669,25	-14 089,44
Net income - per month										
Net income - per month in 2021	3 125,68	3 781,66	7 175,68	7 831,66	11 225,68	11 881,66	15 275,68	15 931,66	19 325,68	19 981,66
Net income - per month in 2022	2 798,89	3 548,54	6 688,24	7 392,54	10 493,24	11 197,54	14 298,24	15 002,54	18 103,24	18 807,54
Difference	-326,79	-233,12	-487,44	-439,12	-732,44	-684,12	-977,44	-929,12	-1 222,44	-1 174,12

Assumptions adopted for the simulation of the calculation:

1. Health insurance contribution for 2022 - 4.9% of income (but not less than PLN 270 / month)
2. No free amount for taxpayers paying according to the flat rate
3. No right to deduct any part of the health insurance contribution from the tax
4. Forecast social security contributions for 2022 - average monthly remuneration according to data available for the second quarter of 2021, ZUS contributions, including the voluntary sickness insurance contribution

CHANGE	2021	2022	KEY INFORMATION
Tax-free amount	up to PLN 8 000	PLN 30 000	<ul style="list-style-type: none"> • Tax-free amount for all taxpayers with progressive income taxation (17%/32%). • It also applies to sole traders taxed at a progressive rate, employees, managers on contracts, contractors and pensioners. • The free amount will be fixed for everyone, regardless of their income. At present, the free amount is PLN 8 000 and is progressively decreasing (it no longer covers persons with income above PLN 127 000 per year). • Those earning less than PLN 2 500 will not pay tax. • Annual valorisation of the tax-deductible amount.
Tax threshold level	PL 85 528	PLN 120 000	<ul style="list-style-type: none"> • A 32% rate on income above PLN 120 000 annually. • A 17% rate will apply to income below PLN 120 000. • For sole traders, the changes will only apply to entrepreneurs with progressive taxation.
No tax deduction for health contributions	7.75%	0%	<ul style="list-style-type: none"> • At present: health contribution is deducted from PIT in the amount of 7.75% of the calculation base (1.25% is covered from the individual's income). • After the change: no option to deduct the health contribution from PIT (applies to all those liable to pay the contribution). • Special rules for the payment of health contributions for members of the Management Board, entrepreneurs with progressive, flat-rate and lump-sum settlements.
Compulsory sickness insurance for persons exercising functions by virtue of an appointment	n/a	9%	<ul style="list-style-type: none"> • Base: amount of remuneration for the appointment.



Zero PIT

The New Order introduces also an income tax exemption for certain groups of taxpayers:

- PIT-0 for those returning to the country (before the decision to return to the country, a minimum of three years of residence and work abroad, the relief is to be valid for a period of 4 years),
- PIT-0 for 4+ families (for persons who in the tax year had parental rights to at least four children, acted as a legal guardian, or if the child lived with such a person, or for persons who acted as a foster family),
- PIT-0 for pensioners and disability pensioners who receive benefits up to PLN 2 500 per month,
- PIT-0 for seniors who, despite having reached pension entitlement, resign from receiving it and continue to work (applies to persons employed under employment contracts, those working under contracts of mandate and entrepreneurs taxed under the tax scale, flat-rate tax and lump-sum tax).

Relief for single parents

From 1 January 2022, a PLN 1 500 tax deduction for a single person raising child(ren) will be introduced. The relief will replace the previous joint settlement with a child.

Change of the lump-sum payment rates

- Reduction from 17 per cent to 14 per cent for doctors, dentists, nurses, midwives and engineers.
- Reduction from 15 per cent to 12 per cent for IT specialists, programmers and other IT professions.

Depreciation write-offs

For PIT and CIT taxpayers, it will not be possible to include depreciation write-offs on tangible and intangible assets such as:

- residential buildings
- residential premises constituting separate property
- co-operative ownership title to residential premises
- a right to a single-family house in a housing cooperative.

Lump sum on rental income

From 1 January 2023, income from:

- lease,
- sublease,
- tenancy,
- subtenancy
- other contracts of a similar nature

if the contracts are not concluded under the scope of a non-agricultural business activity, they will be taxed exclusively in the form of a registered income lump sum.

Polish Order - key changes for entrepreneurs

Corporate tax and VAT

The changes under the Polish Order will also affect the calculation of corporate tax, and most of the solutions presented will come into force from 1 January 2022.

Entrepreneurs will face the following changes:

- the introduction of a minimum (corporate) income tax of 10% of the tax base,
- introduction of changes in the so-called Estonian CIT (lifting of the income limit and extension of Estonian CIT to limited partnerships and limited joint-stock partnerships, simple joint-stock companies and cooperatives),
- the introduction of special taxation rules for VAT groups,
- new rules on investment through venture capital,
- new rules for taxation of holding companies.

Minimum CIT for big companies

A minimum CIT of 10% of the tax base will cover resident companies and tax capital groups which:

- suffer a loss from a source of income other than capital gains, or
- show a low specific operating profitability ratio as a result of the ratio of revenue to deductible costs (revenue to income share accounting for no more than 1% of the tax base).

The minimum CIT will also be paid by non-residents conducting business through a foreign permanent establishment located in Poland, and to the extent to which this permanent establishment generates revenues and incurs losses from its activities.

Certain categories of entities have been excluded from minimum CIT, e.g.:

- companies with a specific business profile, whose low level of profitability results from the nature and specific conditions of their business,
- new entities - in the year of starting operations and in 2 consecutive tax years,
- selected financial companies, e.g., national bank, credit institution, savings and loan associations (SKOK),
- companies reporting a decrease in revenue of at least 30% compared to the previous year,
- entities operating in a simple legal organisational structure without extensive affiliation.



Reliefs for entrepreneurs and pro-investment solutions

The Tax Polish Order means not only changes in the taxation of PIT and CIT but also a number of reliefs and solutions aimed at attracting foreign investors to Poland.

The pro-investment solutions of the Polish Order include, among others:

- introduction of a solution allowing to process all issues concerning strategic investments in one stop, with one negotiator and on the basis of one decision, and matters concerning key investments directly at the Ministry of Finance (the so-called Investor Desk),
- introduction of the so-called Investment Agreement, i.e., an agreement concluded between the Ministry of Finance and the investor, defining all the tax consequences of the planned investment (for investments over PLN 100 million, and from 1 January 2025 - over PLN 50 million),

Available reliefs

- sponsorship relief for taxpayers who support cultural and sporting activities as well as higher education and science,
- R&D relief for conceptual work on a new product,
- prototype relief,
- relief for the employment of innovative workers,
- robotisation relief,
- IP Box relief,
- IPO relief,
- consolidation relief for companies which, by merging with another entity, decide, among other things, to rescue their contractor, supplier or other business in need of support,
- relief for expansion, i.e., covering expenses for searching new markets for the Polish products (can be deducted 2 times).





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