

Polish Deal, i.e. Tax Changes and Remuneration in 2022

- Information Brochure for Employees

Purple Information Brochure

December 2021





Introduction

Dear Sirs and Madams,

As your business partner responsible for proper pay calculation, for the sake of your tax security, we provide you with an important study regarding the approaching changes.

Please familiarise yourselves carefully with its content.

The provisions of the Polish Deal seem neutral at a first glance, or even advantageous in tax terms. However, going deeper into details gives rise to an increasing number of questions, doubts and potential risks.

Depending on your individual situation, verification of your tax status and update of the declarations we attach to this Information Brochure may be required.

Please analyse the changes discussed by us and their potential impact on your individual tax situation. Should you have any questions, we remain at your service.

Grant Thornton Outsourcing Team

Purple Information Brochure - a Source of Valuable Information

We are pleased to present another edition of the "Purple Information Brochure" - a cycle of analyses where we discuss crucial and current issues for entrepreneurs. In this study, we discuss the key issues of tax changes related to pay calculation that will come into force with the beginning of 2022 due to the act "Polish Deal" signed by the President.

HR and pay experts of Grant Thornton share their knowledge, supplemented with an exemplary pay calculator.

Tax Changes in 2022

Minimum wage in 2022

As of January 2022, the minimum wage for persons employed under a contract of employment on a full-time basis will amount to **gross PLN 3,010**, i.e. PLN 210 more than in 2021.

The minimum hourly rate for contractors in 2022 will amount to **PLN 19.70** (an increase by PLN 1.40).



Tax-free amount

As of January 2022, the tax-free amount is increased. It will be the same for everybody and will amount to PLN 30,000.

In practice, this means that persons whose monthly remuneration amounts to not more than gross PLN 3,200 will pay no income tax at all.

In connection with the change of the tax-free amount, the so-called tax credit amount that decreases the advance tax every month will also change. Until now, the monthly amount deducted from tax was PLN 43.76. After the changes, it will amount to PLN 425.

The higher tax-free amount will cause an increase of the "clear" salary received by some taxpayers (especially those whose income is low) but, concurrently, may prevent them from availing themselves from a number of tax credits (tax deductions) in their annual return as there will be no tax they could deduct the given credit from.

Tax Changes in PIT in 2022

Change of the tax threshold

Until now, tax at the rate of 17% was paid on income not exceeding PLN 85,528. After exceeding that threshold, the rate amounted to 32%.

As of 2022, the threshold changes and tax at the rate of 32% will be paid by those whose income exceeds the amount PLN 120,000.

Necessary verification of PIT-2

As the tax-free amount in 2022 will amount to PLN 30,000, the tax credit amount will amount to PLN 5,100. Therefore, it is crucial to verify - preferably in your recent pay slips - if the tax credit (amount of PLN 43.76) is applied in the calculations of your pay and if it should be applied at all ↓

It is important, because if it turns out in 2022 that the tax credit is applied, for example, in your contract of employment and, at the same time, you receive old-age pension from ZUS (Social Insurance Institution), and the value of your total income annually exceeds PLN 60,000 in terms of PIT, the annual return for 2022 will show tax surcharge amounting to PLN 5,100.

Therefore, you are requested to check your recent pay slips and, if necessary, withdraw the previously submitted PIT-2 declaration (appendix no. 1 to the Information Brochure) from the employee's files.

PIT-2 **should not** be submitted by persons who are employed under a contract of employment and who concurrently:

- receive benefits from ZUS (Social Insurance Institution) (e.g. old-age pension, disability pension);
- conduct a business activity subject to taxation according to the general rules (tax scale);
- are employed by another employment establishment under a contract of employment and have submitted PIT-2 in both establishments (the form can be submitted in only one of the employment establishments).

Please remember that the employer calculates your pay according to the documentation in its possession and, therefore, an improperly submitted declaration or failure to withdraw it on time may result in a tax surcharge in the annual tax return. The situation may be also reversed. If you wish to use the tax credit but you failed to submit PIT-2, your last payslip will not show the tax credit of PLN 46.37. In such a case, you can submit this declaration.



Health Insurance Contribution

The paid health insurance contribution is not tax-deductible

Until now, the health insurance contribution amounted to 9% of the base, and the part corresponding to 7.75% of the base could be deducted from tax. That made the health insurance contribution almost imperceptible.

After the changes in 2022, the health insurance contribution will still have to be paid in the amount of 9% of the base, but it will no longer be possible to deduct it from tax.

This means that the taxpayer will have to pay the full tax advance (17% or 32%) and the entire 9% of the health insurance contribution.

In the case of employees whose monthly gross earnings do not exceed PLN 3,200, the change will not be severe as there is no tax to pay anyway. However, the higher the remuneration, the more noticeable the change.

Tax Credits in 2022

Polish Deal and the so-called "middle-class" tax credit

Depriving the taxpayers of the possibility to deduct the paid health insurance contribution from income tax, the legislator provided for a tax credit as of 2022 that is to compensate the negative effects of this change for some of the taxpayers.

The tax credit can be used by those whose monthly revenues range from PLN 5,701 to PLN 11,141. Annually, this amount ranges from PLN 68,412 to PLN 133,692.

The tax credit does not apply to revenues below and above these amounts.

When calculating your remuneration each month, the Employer **is obliged** to verify the amount of revenue and if it falls within the above range, the Employer **has to** apply the tax credit.

This tax credit may cause a confusion for those who have several sources of income where the tax credit will be applicable to each or some of them (statutory obligation of the employer), but where the annual tax return will show that the value of total income for the given year exceeds the tax credit application limit. In such a case, the annual PIT tax return may show surcharge amounts.

The case may be similar if, in addition to regular pay, the employee receives any additional remuneration (bonuses, awards, thirteenth salary, occasional allowances, etc.).

Exceeding the annual limit of revenue by even PLN 1 causes loss of the right to the tax credit and, in consequence, the requirement to pay additional tax in the annual settlement.

Unless, for some reason, you do not wish to use this tax credit during the year and you prefer to apply it in the annual return. In such a case, you need to submit the declaration of resignation from application of the middle-class tax credit (appendix no. 2 to the Information Brochure) until the end of each year. The declaration can be also submitted during the year, but it will be effective for the remunerations calculation for the next month.

Example of remuneration calculation according to the "old" rules

Exemplary remuneration calculation for gross pay of PLN 4,500 in 2021

2021	Amount
Gross	PLN 4,500.00
ZUS social insurance contributions	PLN 616.95
Health insurance contribution	PLN 349.47
Tax-deductible expenses	PLN 250.00
Tax credit (yes)	PLN 43.76
Income tax	PLN 273.00
"Clear" salary	PLN 3,260.58



Example of remuneration calculation according to the new rules

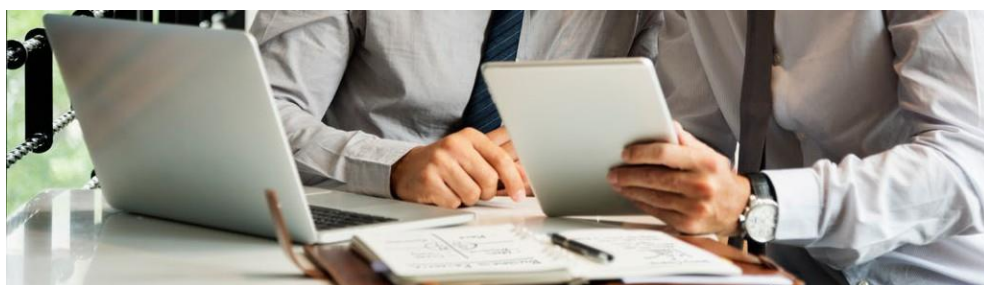
Exemplary remuneration calculation for gross pay of PLN 4,500 in 2022

2022	Amount
Gross	PLN 4,500.00
ZUS social insurance contributions	PLN 616.95
Health insurance contribution	PLN 349.47
Tax-deductible expenses	PLN 250.00
Tax credit (yes)	PLN 425.00
Income tax	PLN 193.00
"Clear" salary	PLN 3,340.58

We would also like to note that the "clear" salary may differ from the one calculated above if the employee receives any additional remuneration components that must be taken into consideration when calculating contributions or taxes (e.g. if you are a participant of group insurance, if you use medical care financed by the employer, if your remuneration is attached by a court enforcement officer or if the employer makes other voluntary deductions based on your consent). The amounts resulting from such deductions reduce the calculated "clear" salary.



Changes in Calculation of Remuneration in 2022



If the employee receives only remuneration amounting to gross PLN thousand during the entire year, the tax credit of PLN 494.59 will be applied each month and this means that the taxation base will be reduced by this amount each month.

Concurrently, on the scale of the year, the total revenue of the employee will fall within the limit enabling application of the tax credit ($10,000 * 12 \text{ months} = 120,000$; limit: PLN 133,692).

If, however, there is an additional remuneration in December (e.g. the so-called thirteenth salary, annual bonus or holiday bonus) the value of which exceeds PLN 13,692, the total revenue of the employee will exceed the limit and the tax credit will no longer apply.

Exemplary remuneration calculation for gross pay of PLN 10,000.00 in

Remuneration		PLN 10,000.00
Base for assessment of FUS (Social Insurance Fund) contributions (old-age, disability pension)		PLN 10,000.00
Base for assessment of FUS contributions (sickness insurance)		PLN 10,000.00
Old-age pension contribution	9.76%	PLN 976.00
Disability pension contribution	1.50%	PLN 150.00
Sickness insurance contribution	2.45%	PLN 245.00
Total Social Insurance Fund contributions		PLN 1,371.00
Health insurance contribution assessment base		PLN 8,629.00
Collected health insurance contribution	9%	PLN 776.61
Health insurance contribution to be deducted	7.75%	668.75
Non-tax deductible expenses		PLN 250.00
Credit for the employee		PLN 494.59
Taxation base		PLN 7,884.00
Tax credit		PLN 425.00
Input tax	17%	PLN 915.28
Tax advance to the tax office		PLN 915.00
Salary		PLN 6,937.39

Tax Surcharge in the Annual Return?



Tax will have to be paid on the entire amount by which the taxation base was reduced during the entire, according to the tax scale (17% or 32%).

In the discussed example, assuming that the reduction was applied for 11 months (the December revenue exceeded the monthly limit), the taxation base was reduced by PLN 5,440.49.

Depending on the tax rate, the tax surcharge in the annual settlement will, therefore, amount respectively to:

$$5,440 * 17\% = 924.80 \Rightarrow \text{PLN } 925$$

$$5,440 * 32\% = 1,740.80 \Rightarrow \text{PLN } 1,741$$

Thus, we would like to encourage you to analyse your pay along with additional remunerations/awards carefully to avoid an unpleasant surprise in the annual settlement for 2022 resulting in a tax surcharge.

We hope that this Information Brochure will help you evaluate the impact of the tax changes on your pay.

Appendix 1

Declaration of withdrawal of PIT-2

....., on
(place and date)

.....
(employee's name and surname)

.....
(address)

.....
(address, continued)

.....
(name of the employment establishment)

.....
(address of the employment establishment)

APPLICATION FOR WITHDRAWAL OF PIT-2 DECLARATION FROM THE RECORDS

On, I hereby apply for discontinuation of application of the tax credit due to deduction of the tax-free amount and for withdrawal of the PIT-2 declaration submitted by me from my records as of the day specified above.

.....
(employee's signature)

.....
(employer's signature confirming application receipt)

Appendix 2

Declaration of resignation from application of the tax credit for the employee

....., on
(place and date)

.....
(employee's name and surname)

.....
(address)

.....
(address, continued)

.....
(name of the employment establishment)

.....
(address of the employment establishment)

DECLARATION OF RESIGNATION FROM REDUCTION BY THE PAYER OF THE INCOME BY THE AMOUNT OF THE TAX CREDIT FOR EMPLOYEES

On, I hereby apply for discontinuation of reduction of income by the amount of the tax credit for employees under Article 32(2a) of the Act on Personal Income Tax and I acknowledge that this declaration will apply to calculation of my pay as of the month following the month of its submittal, according to Article 32(2a) of the Act on Personal Income Tax.

.....
(employee's signature)

.....
(employer's signature confirming application receipt)

Substantive Study



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Grant Thornton is one of the leading auditing and advisory organisations in the world.

Knowledge of over 56 000 employees available for customers in 140 countries. We have been operating in Poland for 28 years. The team of 700 employees and presence in key agglomerations (Warsaw, Poznań, Katowice, Wrocław, Kraków and Toruń) ensure that we have close contact with our customers and allow us to provide auditing services, fiscal counselling, economic counselling, legal counselling and outsourcing of accounting, human resources and payroll regardless of the size, type and location of our customers' businesses.