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PS NEWSLETTER

27 December 2019

I THE MINIMUM GROSS RENUMERATION FOR EMPLOYEES

Starting from 1 January 2020, the minimum gross remuneration for employees will amount to PLN 2 600,00 gross, i.e. PLN 350,00 more than in 2019.

Consequently, the employers must provide all full-time employees with 100% of the minimum gross remuneration. Due to the increase in the minimum gross remuneration for employees who work full time, the salary of part-time employees who cannot receive less than the appropriate minimum shall also increase.

The raise of the minimum salary influences other employees' claims. Many benefits are calculated according to the minimum gross remuneration, including from employment relationship.

The amount of selected benefits in 2020 depending on the minimum remuneration:

1. Night shift allowance:

- for January, April, June and December – PLN 3,10;
- for February, May, August and November – PLN 3,25;
- for March, September and October – PLN 2,95;

2. Work readiness and downtime payment - not lower than PLN 2 600,00 for a full month for full-time employees.

3. Severance pay for collective redundancies - cannot exceed 15 times the minimum remuneration for work, i.e. PLN 39 000,00.

4. Compensation for violation of the principle of equal treatment in employment, mobbing or discrimination - not lower than PLN 2 600,00.

5. The minimum basis for sickness allowance - not lower than PLN 2 243,54 (PLN 2 600,00 minus social security contributions financed by the employee, i.e. 13.71%)

IMPORTANT CHANGES IN LABOUR LAW, SOCIAL SECURITY CONTRIBUTION AND TAX INCOME — POLAND 2020



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6. The amount free from deductions (in 1 hour of work – assuming that the employee uses the ordinary tax deductible costs (PLN 250,00), is entitled to a tax reduction amount (PLN 43,76), does not make any contributions to PPK and does not benefit from the income tax exemption for not completing 26 years.):

- PLN 1 920,62 (100% of the minimum gross remuneration) – for non-maintenance deductions;
- PLN (75% of the minimum gross remuneration) – for deductions of cash advances to employees;
- PLN 1 728,56 (90% of the minimum gross remuneration) – for fines.

II THE MINIMUM HOURLY RATE FOR CONTRACTORS

Starting from 1 January 2020 the minimum hourly rate for contractors has also changed from PLN 14,70 to PLN 17,00.

III TAX SCALE, RATES AND TAX-DEDUCTIBLE COSTS

The principles of the tax scale, which apply to most taxpayers, are described in art. 27 of the 26 July 1991 Act on Personal Income Tax. The changes primarily reduce the lower tax threshold from 18% to 17%. The limit amount remains unchanged. According to the legislator's assumptions, these changes are to be made in relation to the "revenues" obtained from 1 January 2020.

However, the intention of the legislator was for the changes to take effect earlier than with the new tax year. Therefore, the Act amending the rules of the tax scale introduced a transition period. According to the amendment (the Act entered into force on 1 October 2019), the new (transitional) rules are to be applied to income obtained in the fourth quarter, between 1 October 2019 and 31 December 2019, namely:

- instead of the 18% rate, the 17% rate is applied;
- the amount reducing the tax is PLN 525,12;

- at the request of the taxpayer, when calculating income tax advances instead of the 17% rate, payers specified in the regulations apply the 17,75% rate.

Costs of earnings

According to the amendment (the Act entered into force on 1 October 2019) the costs of earning have also been changed:

- basis costs of earnings from PLN 111,25 to PLN 250,00;
- increasing costs of earnings (in a situation where the workplace is located in a city other than the place of temporary or permanent residence) from PLN 139,06 to PLN 300,00;

The persons up to the age of 26 receiving income from an employment agreement or the contract or mandate

In accordance with the amendment to the Act on Personal Income Tax, the Act on family benefits and the Act on health care services financed from public funds, 18% of the tax will be abolished for persons under 26 years of age who have not exceeded the relief limit.

The amendments are effective from 1 August 2019. From August to December 2019 we count the limit as 5/12 of the annual amount, i.e. $5/12 \times \text{PLN } 85\,528,00 = \text{PLN } 35\,636,67$.

In order for the entire exemption for such payments to be carried out during the year, it was important – before payment of the remuneration – for the taxpayer to make a statement about not collecting advance tax. At that time, the remuneration for the period from August to December 2019 was paid without income tax during the year. Otherwise, these advances shall be charged, and the reimbursement of these amounts will be paid to the employee in his annual settlement. In the event of receiving a declaration, the payer shall not collect tax advances at the latest from the month following the month in which he received the declaration, until the end of the month in which the revenues obtained from

that payer from 1 August 2019 were subject to exemption; as a result, the payer must control the limit of PLN 35 636,67.

From 1 January 2020, advances are not collected automatically (i.e. without any application) up to the amount of PLN 85 528,00 while the taxpayer may submit an application for them to be collected by the payer before. The payer then receives advance payments without applying this exemption at the latest from the month following the month in which he received the application. This application is submitted separately for each tax year. The payer should control the exemption limit – if the amounts of income paid exceed PLN 85 528,00 with this employer, then he or she should start to collect tax advances.

IV TAX MICRO-ACCOUNT

From 1 January 2020 taxpayers will pay PIT, CIT and VAT to the Tax Office using the tax micro-account. The tax micro-account is meant solely for tax payments. The tax micro-account can be checked using the generator or visiting any Tax Office – the required information is Tax Identification Number (NIP).

The tax micro-account shall consist of 26 characters.

LK10100071222YXXXXXXXXXXXX

where:

- LK is the check digits;
- 10100071 is a fixed value for each tax micro-account, indicates the reference number in NBP;
- 222 is a fixed value for each tax micro account;
- Indicates the reference number in NBP;
- Y=1 when you use the PESEL number;
- Y=2 when you use the Tax Identification Number;
- your PESEL or Tax Identification Number will be given after the Y sign, on subsequent positions there will be zeros so that the account number consists of 26 characters.

The current accounts of tax offices for PIT, CIT and VAT payments shall be active until 31 December 2019. After that date all tax payments should be made to the tax micro-account.

V REDUCTION OF THE ANNUAL BASIS FOR CALCULATING CONTRIBUTIONS TO RETIREMENT AND DISABILITY INSURANCE IN 2020

On 4 December 2019 the Announcement of the Minister of Family, Labour and Social Policy concerning the amount of reduction of the annual basis for calculating contributions for retirement and disability pension insurance in 2020, as well as the amount of forecasted average remuneration came into force. The Announcement was made on 28 November 2019 (published in Official Gazette).

The amount of the reduction in the annual basis for calculating contributions for retirement and disability insurance in 2020 is PLN 156 810,00 and the amount of the projected average salary adopted for its determination is PLN 5 227,00.

If the amount of PLN 156 810,00 is exceeded, pension and disability insurance contributions are not calculated.

VI SOCIAL SECURITY AND HEALTH INSURANCE CONTRIBUTIONS

1. The percentage of social security and health insurance contributions for both the employees and the contractors

The percentage of social security and health insurance contributions for the employees and contractors remains unchanged and amounts to:

Contributions financed by the employer:

- pension insurance contribution – 9,76%
- disability insurance contribution – 6,5%

- accident insurance contribution - in the contribution year, which starts from 1 April, 2019, the same values of accident insurance premium rates determined for activity groups in accordance with Annex No. 2 to the Regulation of the Minister of Labour and Social Policy of 29 November 2002 on rate differentiation percentage premium for insurance against accidents at work and occupational diseases depending on occupational hazards and their effects [1], which were in force until 31 March 2019.
- Labour Fund – 2,45%
- Guaranteed Employee Benefits Fund – 0,10%

Contributions financed by the employee:

- pension insurance contribution – 9,76%
- disability insurance contribution – 1,5%
- sickness insurance contribution – 2,45%
- health insurance contribution – 9%
- health insurance contribution for tax deduction – 7,75%

2. Social security insurance and health insurance contributions for the self-employed persons

The projected average monthly salary for 2020 was adopted at the level of as much as PLN 5 227,00. Currently it amounts to PLN 4 765,00. 60% of this amount, i.e. PLN 3 136,20, will constitute the basis for calculating Social security contributions. For entrepreneurs this means a growing increase in social security contributions for 2020.

Minimum ZUS contributions for entrepreneurs for 2020

From 2019, entrepreneurs have the right to benefit from a premium relief, known as “small economic activity”.

However, the conditions to be met in order to benefit from such improvements will change in 2020.

Small ZUS 2020 in January under old rules

In accordance with Article 2(2) of Regulation (EC) No Article 18c(1) 11 of the Social Security Act to a small ZUS could not apply to the trader:

- operating in the previous year for less than 60 days,
 - benefiting from preferences in paying contributions,
- Small ZUS plus will enter into force from February 1, 2020, so in January entrepreneurs will be able to benefit from this relief under the old rules.

To benefit from income contributions, you must apply with code 05 90/05 92 up to 8 January.

As of 1 February 2020, the condition that the trader must meet in order to benefit from a small ZUS is to achieve in the previous calendar year revenue not higher than PLN 120 000.

- working for a former employer,
- tax benefiting in the form of a tax card and at the same time exempt

vat pursuant to Article 10(1) of Regulation (EC) No 1250/ Article 113(1) 1 and 9 of the Law on tax on goods and services.



VII EMPLOYEES' CAPITAL PLANS

Who will be required to join the program in 2020?

- Entities employing at least 50 employees (the employment status is calculated, as in the first round, also with a half-year shift, i.e. as at 30 June 2019) will be covered by the Act from 1 January 2020 and will have time to conclude:
 - a management contract until 24 April 2020
 - agreements for running PPK until 11 May 2020.
- From 1 July 2020, entities employing at least 20 people (by employment as at 31 December 2019). For this group of entities, the maximum deadline for:
 - concluding a management contract is 27 October 2020;
 - signing a management contract is 10 November 2020.

The payments for PPK will be financed by:

1. Employer:

- obligatory basic payments – in the amount of 1.5% of gross remuneration;
- voluntary payments – up to 2.5% of gross remuneration depending on the will of the employer.

2. Employees:

- obligatory basic payment – in the amount of 2% of gross remuneration;
- additional payment – depending on the will of the employee, in the amount of up to 2% of gross remuneration.

At the same time, persons whose monthly salary will not exceed 120% of the minimum salary will be able to benefit from **a reduced basic rate, but not less than 0.5%**. With the current minimum gross remuneration level, this means that people whose gross salary does not exceed PLN 2,700 will be able to benefit from the solution described above.

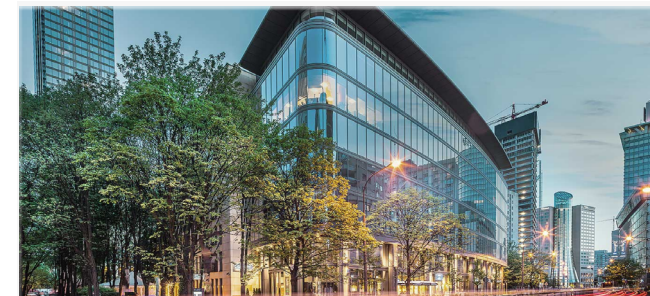
The payments made by the employer will constitute an additional cost of employment. The employee's payment will be deducted from his remuneration. **The annual limit of ZUS contributions (30 times the forecast remuneration for a given calendar year) is not used when calculating payments for PPK.**

3. State:

The participants will receive one-off welcome payments of PLN 250 and annual payments of PLN 240 once a year.

VIII COMPANY SOCIAL BENEFIT FUND

From 2020 the amount paid to the company social benefit fund for one employee will be calculated on the basis of the average salary from 2018. As a result, the write-off will increase from PLN 1 271,20 to PLN 1550,25.



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