

Dear Sirs,

From 1 July 2022, an amendment to the Personal Income Tax Act is in force, introducing changes to the POLSKI ŁAD regulations.

The most significant changes are listed below:

1. Change of tax rate from 17% to 12%

A new tax rate of 12% is introduced to replace the previous 17%, which will apply to income from employment contracts and civil law contracts not exceeding PLN 120 000 per year - the first tax threshold (above PLN 120 000 the tax rate remains unchanged at 32%).

The new rate will already apply to the July 2022 payment.

Despite the fact that the change in the tax rate will come into effect from 1 July 2022, this rate will be applied in the annual return to income earned from 1 January 2022 (employees whose income does not exceed PLN 120 000 will include the overpayment in their annual tax return with the relevant tax office).

2. Change of the tax reducing amount - PIT 2

The annual tax-free amount remains at the current level of PLN 30 000, but due to the reduction of the tax rate from 17% to 12% the tax-reducing amount will change from PLN 5 100 per annum /PLN 425 per month/ to PLN 3 600 per annum /PLN 300 per month/.

Example:

It was: $(\text{PLN } 30\,000 \times 17\% = \text{PLN } 5,100/12 = \text{PLN } 425)$

Now it will be: $(\text{PLN } 30\,000 \times 12\% = \text{PLN } 3\,600/12 = \text{PLN } 300)$

For the employee, this will have a neutral effect on the payment of salary, as the amount of tax will be reduced in parallel with the reduction of the free amount.

At the same time, from 1 January 2023, an employee will be able to authorise the application of the free amount to a maximum of three employers by making a declaration to this effect using the PIT 2 declaration, to reduce the advance payment by an amount corresponding to 1/12 of the tax reducing amount (PLN 300, in case of filing the PIT 2 declaration with one employer), 1/24 of the tax reducing amount (PLN 150, in case of filing the PIT 2 declaration with two employers), or 1/36 of the tax reducing amount (PLN 100, in case of filing the PIT 2 declaration with three employers),

The total amount of reduction applied by all employers cannot exceed 1/12 of the tax reducing amount (PLN 300) in the same month.

The PIT 2 declaration will also be available to contractors and persons receiving benefits from activities carried out in a personal capacity (one-person company)

Taxpayers who have so far made a deduction of 1/12th of the tax reducing amount "ex officio" (e.g. pension authorities on pensions paid out) will be obliged to apply this deduction also from 1 January 2023, unless the taxpayer submits a declaration on a different division of this amount (1/24, 1/36) or a request for renunciation of this deduction.

From 1 January 2023, there will be a new PIT 2 declaration to be filed by those only wishing to benefit from the distribution of the tax-free amount.

3. Elimination of middle class tax allowance

From 1 July 2022, the rules on the so-called middle class tax allowance are repealed. The allowance will be abolished retroactively from 1 January 2022.

Employees for whom a tax return with the application of the middle class tax allowance (annual income from PLN 68 412 to PLN 133 692) will be more profitable than a return without its application, will receive a refund from the tax office of the difference between the tax due and the hypothetical tax calculated using the middle class allowance in their annual PIT return for 2022.

The calculation of the possible amount to be reimbursed to the employee will not require any additional action on his/her part (this is an action solely on the part of the tax office).

4. Repeal of the mechanism for deferring the collection and payment of advance income tax during 2022.

From 1 July 2022, the obligation imposed on employers to calculate advance payments during 2022 also according to the rules in force until the end of 2021 has been repealed.

5. Inclusion of income from maternity benefits (i.e. for maternity, parental and paternity leave) in PIT 0

Income from maternity benefits is tax-free (i.e. for maternity, parental and paternity leave) for those benefiting from youth relief up to the age of 26, return relief, senior citizen relief and 4+ family relief. The limit for applying the allowance remains unchanged (PLN 85,528).

Despite the fact that the aforementioned change will enter into force as of 1 July 2022, the employee is entitled to apply it in his/her annual PIT return as of 1 January 2022 (eligible employees will include the overpayment in their annual tax return with the US).

6. The possibility of submitting a request not to collect advance personal tax payments in a given tax year, if it is expected that the income subject to taxation according to the tax scale will not exceed PLN 30 000 in the tax year

From 1 January 2023, if a taxpayer receives income of the payer subject to taxation according to the tax scale exceeding PLN 30 000 in the tax year, the taxpayer will calculate tax advances without applying a tax-deductible amount.

7. Increase in the amount of trade union membership fees deductible from income

The amount of membership fees paid to trade unions is increased from PLN 300 to PLN 500. The employee deducts the above contributions in his/her annual return to the tax office.

Questions and concerns

If you have any questions, please send an e-mail to: sap.kwestura@adm.uw.edu.pl with the indication "POLSKI ŁAD" in the subject line of the e-mail.

In addition, on the website: <https://www.podatki.gov.pl/niskiepodatki/> useful information is posted on an ongoing basis on any issues relating to the current tax rules introduced as part of the changes to POLSKI ŁAD.

Information on changes in tax regulations introduced in the POLSKI ŁAD can also be obtained from the National Tax Information hotline at telephone numbers:

- **22 330 03 30**
- **801 055 055.**

You can also consult the relevant tax office on any specific questions or uncertainties regarding, for example, joint taxation for spouses or taxation with a child.

Ewa Mikłaszewicz
The UW Bursar