

WHEN PAYROLL WENT THE POLISH(ED!) WAY



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EMPLOYMENT CONDITIONS

Any group of minds that strive for betterment always let the spark of innovation lead their path. Located at the heart of Europe, Poland is one such vibrant country that went through a whirlwind of revolutions after joining the European Union in 2004. Its economy flourished, and a flurry of trade and commerce sectors such as mining, quarrying, food, textile, clothing, chemical and automotive arose as the main contributors. With such a diverse range of industries employing workers possessing a range of skill sets, the way the Polish handled their pay, too, had transformed. The Polish payroll scenario had a range of complex and intricate aspects.



EMPLOYMENT CONDITIONS

In general, there are two popular employment relationship types in Poland, the details are as follows:



- **EMPLOYMENT CONTRACT:**

Employee undertakes to perform work for a specific type for employer's benefit under his/her supervision and management. It is the only contract where provisions of Labour Code apply.

- **CIVIL CONTRACT:**



1. Contract of Mandate and Service Contract:

The mandatory (worker) commits to perform specified activities/services for the mandator (ordering party) through a contract and may freely regulate their rights and obligations. These contracts are protected by a guarantee of minimum remuneration for work.



2. Contract of Specific Task/Task Contract:

The person accepting the order (worker) commits to perform a specific work leading to specific result and the orderer (employer) commits to pay the remuneration. The provisions concerning the minimum remuneration for work do not apply.



3. Management Contract:

This is concluded under the principle of freedom of contract with persons performing work at managerial positions, i.e., board members, directors of organizational units to entrust the management of an enterprise to a physical person to make profit.

In Poland, multiple employment relationships with the same employee at the same time are also allowed.



PERSONAL INCOME TAX (PIT)

Tax year in Poland is from January 01 to December 31. Income tax (podatek dochodowy) provisions are administered by the Ministry of Finance (Ministerstwo Finansów, abbreviated as MF).

Introduction of the Polish Deal is a tax revolution in 2022 as it is one of the most comprehensive reforms of the tax system in the last three decades and significant for the future of Polish society and the Polish economy. The programme is a reaction to the low progressivity of Poland's tax system, which has been a stress for years.

It majorly helps the economy to bounce back strongly from the COVID-19 pandemic and creates a bigger middle class by cutting tax for lower earners. This also entails several beneficial changes for millions of people as the tax burden will grow for people with high incomes and fall for those with low incomes. The revenues of the National Health Fund (NFZ) and drop in income tax revenues will have distributive consequences not on the individual level, but also in terms of public institutions receiving these revenues. It is a historic tax reduction and boosts the economic growth by

- Lowering the taxes for 18 million people
- Creating Polish Deal fund financed through government investment to create 500,000 new jobs

The employer has an obligation to withhold Personal Income Taxation (PIT) advances every month from the employment income. PIT advance is calculated based on employment type i.e., employment contract or civil contracts.

Tax rates for all employees under the employment contract are below:

Annual Taxable Income From (in zł)	Annual Taxable Income up to (in zł)	Tax Rate
0	120 000	12%
> 120 000	-	32%

Flat tax rate of 17% applies to resident civil contract employees. For non-resident civil contract employees, flat tax rate of 12% applies for taxable income up to 200 zł and 20% for income above 200 zł.





Standard tax-deductible expenses for different employment types are:

- **EMPLOYMENT CONTRACT:**

1. 250 zł and 300 zł per month for local and commuters, respectively, per employment relationship
2. Personal Tax Allowance of 300 zł per month is allowed if annual income is up to 120 000 zł and based on employee's declaration in form PIT-2

- **CIVIL CONTRACT:**

1. Contract of Mandate and Specific Task Contract: Flat 20% deduction on the income net of social security contributions
2. Management Contract - 250 zł per month

Employers must remit the PIT advances withheld in the previous month to the local tax office by 20th of each month and declare PIT 4R. Additionally, employers must submit to tax authorities electronically an annual tax declaration Form PIT-11 providing income and PIT withheld. This form is filed by the end of January using the Universal Document Gateway (UBD) and its hard copy is given to employees by the end of February.

Additionally, for Non-resident civil contractors PIT 8AR and IFT-1R containing information on the income and flat-rate tax withheld and paid should be declared to the concerned tax office.

SOCIAL SECURITY

GENERAL CONTRIBUTIONS:

The governing authority for social security is Zakład Ubezpieczeń Społecznych” (ZUS). Both employer and employee should contribute to ZUS as under:

Fund Type	Employer contribution (%)	Employee contribution (%)	Maximum Capping (in zł)
Pension/Retirement Insurance	9,76	9,76	177 660
Disability Insurance Contribution	6,5	1,5	177 660
Sickness Insurance Contribution	0	2,45	N/A
Accident Insurance Contribution*	0,4 - 3,33	0	N/A
Labour & Solidarity Fund	2,45	0	N/A
Employee's Guaranteed Benefits Fund	0,1	0	N/A
Bridging Pension Fund/Early Retirement Fund Contributions	1,5	0	177 660
Health Insurance Contribution	0	9	N/A

* Rates vary depending on the activity of the employer specified in the employer's statistical REGON number according to the Polish Classification of Business Activities-PKD.

EMPLOYEE CAPITAL PLAN CONTRIBUTIONS:

Contribution to “Pracowniczy Plan Kapitałowy” (PPK), is mandatory for 18-55 years old employees, voluntary for 55-70 years old, and not applicable for employees aged more than 70 years. The contribution rates are as under:

	Basic payment (obligatory)	Supplementary payment (voluntary)
Employer's share	1,5% of the assessment base	up to 2,5% of the assessment base
Employee's share	2% of the assessment base	up to 2% of the assessment base

REPORTING

There is an obligation to register the employers and employees for social security purposes within 7 days of entering contract using forms ZUS-ZPA, ZUS-ZUA, ZUS-RUD and ZUS-ZZA. In case of employers having more than five insured individuals, the registration needs to be done online via commonly used platform “e-Płatnik”. ZUS also provides interface software development documents for creating other electronic transmission platform by the entities.

Also, employers must file a monthly report Form ZUS RCA, and pay social security contributions for all the employees by 15th of the following month. There are other incident-based forms such as ZUS-RPA, ZUS-RZA, ZUS-ZCNA, ZUS-ZIUA, ZUS-ZSWA and ZUS-ZWUA that needs to be reported as and when required. Failure to remit the contributions may result in a fine of up to 100% of unpaid contributions.





EMPLOYMENT LAWS

• STANDARD WORKING HOURS

Polish labour laws provide for multiple working time systems, the employer and employee mutually decide which time system is to be followed as per their requirements.

However, working time in general may not exceed 8 hours in a 24-hour period and an average of 40 hours in a 5 days' work week within the basic settlement period of 4 months.

• OVERTIME

Work performed more than the standard working hours constitutes overtime and it cannot exceed an average of 48 hours. In such case, apart from regular remuneration, the following allowance is due to the employee:

1. 100% of remuneration for work at night, Sundays, legal holidays and on a rest day, given in exchange for work on Sunday or a legal holiday
2. 50% of remuneration for any other day

• MINIMUM REMUNERATION

An employer is obliged to pay a minimum level of remuneration to employees for any work based on certain conditions. At present,

1. minimum monthly remuneration is 3 010 zł
2. minimum hourly rate of remuneration is 19,70 zł



• SEVERANCE PAY

Polish Labour Code provides for three types of Severance Pay as under:

1. Pension or Retirement Severance Pay
2. Death Severance Pay
3. Severance Pay in case of redundancies

• STATUTORY LEAVES

Polish labour code entitles employees to following leaves, and it can be modified as per CBA or employment contract:

1. Training Leave: 6 to 21 days for improving professional qualifications of employees
2. Annual Paid Leave: Employer is obliged to allow paid annual leaves every year for
 - ▶ 20 days - if the employee has been employed for less than 10 years
 - ▶ 26 days - if the employee has been employed for at least 10 years
3. Leave/Day Off during Notice Period: An employee serving at least two weeks' notice period is entitled to leave for looking for work, with the right to remuneration
 - ▶ 2 business days - within two weeks and one month's notice
 - ▶ 3 business days - within the three-month notice period or in the case of its shortening due to reason not related to the employees
4. Maternity Leave for the following period with maternity benefit from ZUS authorities:
 - ▶ 20 weeks - in the case of one child
 - ▶ 31 weeks - in the case of two children
 - ▶ Additional two weeks of leave for each additional child

5. Parental Leave:
 - ▶ up to 32 weeks - in the case of giving birth to one child in one birth
 - ▶ up to 34 weeks - in the all-other cases
6. Paternity Leave: Up to 2 weeks during the year subject to certain conditions
7. Childcare Leave: 16 hours or 2 days off work during a calendar year with remuneration for at least one child under the age of 14.
8. Upbringing Leave: up to 3 years of unpaid childcare leave subject to certain conditions if he has worked for at least 6 months.
9. Sick Leave: An employee is entitled to Sickness Pay/ Sickness Salary for the time of sickness as under
 - ▶ up to 33 days in total during a calendar year to employees up to age of 50
 - ▶ up to 14 days in total during a calendar year to employees above 50 years
10. Adoption Leave:
 - ▶ 20 weeks - in the case of one child
 - ▶ 31 weeks - in the case of two children
 - ▶ Additional two weeks of leave for each additional child





OTHER BENEFITS

Certain allowances are paid by ZUS Institutions through payroll (by employer) and some outside payroll (by ZUS institutions directly) to the concerned employees on satisfaction of certain conditions. These allowances include:

1. Sickness Benefit
2. Rehabilitation Allowance
3. Compensatory Allowance
4. Maternity Allowance
5. Care Allowance
6. Additional Care Allowance

Forms ZUS RSA, ZUS DRA, ZUS 3 and ZUS 3A must be submitted for declaring the benefits paid and breaks in the payment of contributions to insured individuals.



CONCLUDING REMARKS

These webs of requirements demanded an all-encompassing, holistic and advanced payroll solution that could efficiently handle their nuances whilst also remaining in perfect compliance with statutory regulations. Swooping to the rescue, Ramco's solutions, with their advanced AI & ML assisted features, and robust strategic input, completely transformed their payroll landscape. We were thoroughly involved in payroll compliance, right from registration till reporting. Ensuring high speed and accuracy through our automated payroll processing, we bought huge relief from manual tracking. Our solutions alleviated various pain points—there was no longer the need for precarious tracking of obligations, and the fear of penalization due to errors was completely erased. Poland, with its new policies, hoped to bring a range of reforms to their economic scenario, and Ramco's futuristic payroll software is always a harbinger of positive renaissance.