

Introduction of removal of the annual limit of the pension and disability contributions as of 1 January 2019. On 30 October 2018 the Constitutional Tribunal will decide whether the regulations removing the said limit are consistent with the Polish Constitution

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In brief

According to the new regulations as of 1 January 2019 removal of the annual limit of the pension and disability contributions, after exceeding which, the said types of contributions are currently no longer payable will be introduced. However, the President of Poland early this year applied to the Constitutional Tribunal for examination of the constitutionality of these regulations. The President's objections concern keeping standards of the legislative process. The Constitutional Tribunal will rule on this issue on 30th October, 2018.

The scope of changes

According to the new regulations, the pension and disability contributions will be payable on one's full employment income. Such a solution currently exists in relation to the remaining social security contributions – sick and accident insurance. New rule will be also applicable in respect of contributions paid to the Bridge Pension Fund (Fundusz Emerytur Pomostowych) for employees working in specific conditions.

It should be underlined that the consequence of the removal of the annual limit for the pension and disability contributions will be a **significant increase of labour costs** as well as **reduction of the net salary**

for employees reaching annual remuneration exceeding the set limit.

Removal of the said limit will be introduced from 1 January 2019 if the Constitutional Tribunal finds the new regulations to be consistent with the Polish Constitution.

What does it mean for me?

In case of employees with monthly gross salaries higher than PLN 11 107,50 (the limit for 2018), the removal of the annual limit will have an adverse **impact on their net remuneration**. At the same time, it will also entail **increased employment costs for companies**.

For example, an individual cost for an employer resulting from employing an employee with a **monthly gross salary amounting to PLN 15 000** will increase in 2019 by ca. **PLN 8 000** per annum in comparison to 2018. The employee with monthly gross salary of **PLN 25 000** - under changed provisions – will increase employer's annual costs by ca. **PLN 27 000**.

Currently, companies are considering the impact on the potential removal of the said limit in their payroll budgets for 2019 and further years.

Current legislative situation

New regulation are to be introduced from 1 January 2019. However, the President

of Poland has applied to the Constitutional Tribunal for examination of the constitutionality of these regulations. The President's objections concern keeping standards of the legislative process. On 30 October 2018 the Constitutional Tribunal will decide whether the new regulations are in line with the Polish Constitution. The

Constitutional Tribunal can decide that:

- new regulations are in line with Constitution of Poland,
- new regulations are not in line with Constitution of Poland and then revoke new provision in whole or in some part.

We will advise you on the decision of the Constitutional Tribunal and its impact on both employers and employees

Let's talk

If you have any questions or doubts regarding the above issues, please do not hesitate to contact with our HRS Team:

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