
Polish Constitutional Tribunal stated that the bill introducing the removal of the annual limit of the pension and disability contributions is not consistent with Polish Constitution. Amended provisions will not enter into force as of January 2019.

November 2018

In brief

On 14th November 2018 the Polish Constitutional Tribunal issued the long awaited verdict in scope of consistency with Polish Constitution of the planned amendments in the social security system act. The Tribunal ruled that these amendments are not consistent with the Polish Constitution, which means that the 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 not enter into force as of 1 January 2019.

The scope of planned changes

According to the planned regulations, the pension and disability contributions would 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 would be also applicable in respect of contributions paid to the Bridge Pension Fund (Fundusz Emerytur Pomostowych) for employees working in specific conditions.

The most important consequence of the removal of the annual limit of the pension and disability contributions would be a **significant increase of labour costs** as well as **reduction of the net salary** for employees reaching annual

remuneration exceeding the set limit.

Due to the Constitutional Tribunal verdict, the planned amendments will not enter into force as it was confirmed that the bill is inconsistent with Article 7 of Polish Constitution.

Tribunal's verdict

In the verdict dated 14th November 2018 the Constitutional Tribunal stated that the bill regarding removal of the limit of the pension and disability contributions is inconsistent with Article 7 of Polish Constitution, according to which public authorities are obliged to act on the basis of binding law provisions. In a verbal justification the Tribunal emphasised that each infringement of the Constitution provisions must result in exclusion of the contested provisions from Polish legal system.

What does it mean for me?

The verdict maintains current social security model according to which pension and disability contributions are no longer due after exceeding the threshold, announced for each year separately. The annual limit of the contributions for 2019 should be announced soon. Please however bear in mind that regardless of the annual limit of the pension and disability contributions still being applicable, the 2019 year will bring additional costs for companies resulting from introduction to the Polish tax system of the Employee's Capital Pension Scheme. If you are interested in more detailed information in this respect, please contact persons indicated below.

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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