New solidarity tax for the wealthiest taxpayers and new social security contribution is to enter into force

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In brief

In the recent days, a bill introducing new solidarity tax and new social security contributions has been officially published. This means that the legislative process is now complete. According to the bill assumptions, revenues earned from new tributes are to be passed to a newly created Solidarity Fund for Support of Disabled Persons („The Fund"). Moreover, the bill introduces a new social security contribution which is to be imposed for majority of the social security payers and remitters. We have summarized practical consequences of the proposed solutions below.

New solidarity tax

According to the newly adopted provisions, individuals who derive in a tax year **income exceeding PLN 1 000 000 will need to pay solidarity tax at the rate of 4%** on the excess of this amount. An obligation of submitting a separate tax declaration by 30th April of the following tax year will also apply.

The new tax will be imposed on income received from employment (and other sources taxed according to the progressive tax rates), business activity income (including one taxed at the 19% flat rate) and certain categories of capital gain income (with the exclusion of the dividend and interest income). The tax will not be imposed on individuals conducting business activity taxed according to lump sum tax from registered income or the tax card. The taxpayer will be entitled to decrease the income by the amount of the social security contributions he/she has paid (or which were withheld by the remitter). The solidarity tax will be applicable to the income received as of 2019 – thus the first reconciliation will need to be filed by **30 April 2020**.

What does it mean to the taxpayers?

The analysis of the new provisions shows that it is possible that double taxation of the same income may occur – first time according to the „regular" PIT and subsequently – with solidarity tax.

The new tax will cause decrease of net income of taxpayers who obtain highest revenue. Individuals receiving income e.g. from the sale of shares will effectively pay the tax according to the higher tax rate than 19%, provided for capital gain income. Additionally, the scope of the bill covers also income received abroad. This generates a potential risk of double taxation, as the bill does not contain any clauses, according to which, the new provisions should be applied in consideration of the double taxation agreements that Poland have in place with many countries.

New social security contribution

According to the new provisions, an additional source of the Fund's income will come from the obligatory social security contributions calculated on the income derived by the majority of professionally active individuals (including those running their business activity), whose income reaches at least the minimal remuneration level. The contributions will be withheld by the remitters. The contribution rate was not indicated in the act – it is to be determined in the budget act. In 2019 the contribution is to be collected based on the rules applicable to the contributions for Labor Fund. In the bill justification (not constituting however a source of law) it was indicated that the rate should be at the level 0,15% of the assessment basis (without the CAP applicable for pension and disability contributions) and will be part of current contribution payable to the Labor Fund (which in practice means that the Labor Fund contribution in the current amount of 2,45% will be decreased to 2,30%).

What does it means for the remitters?

It should be pointed out that the act does not provide for specific procedures of calculation of the amount and collection of the contribution – this information was provided in the bill's justification. Literal act's wording does not correspond with the statement that the new contribution will be in fact part of the Labor Fund contribution. Thus, it is not excluded that the labor cost will eventually increase.

Legislative process

The entire bill is available here.

Let's talk

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