



GLOBAL
EMPLOYER
GUIDE

POLAND





Basic Country Facts

Full name

- The Commonwealth of Poland

Capital

- Warsaw

Main Languages

- Polish (97%)
- German
- Ukrainian
- Russian,
- Lithuanian
- Armenian
- Romani languages

Population

- 37.98 million

Monetary unit

- Poland złoty

Internet domain

- .pl

International dialing code

- +48

Currency

- Poland złoty



STATUTORY LABOR REQUIREMENTS

Probation Period

- The maximum probationary period is three months.

Annual Leave

- Employees are entitled to 20-26 days of paid leave or vacation (depending on tenure).
- Employees with less than 10 years of tenure are entitled to 20 days of leave while employees with 10 years or more of tenure are entitled to 26 days.

Public Holidays

- New Year's Day (1st January)
- Epiphany (6th January)
- Easter Sunday (12th April)
- Easter Monday (13th April)
- Labor Day/May Day (1st May)
- Constitution Day (3rd May)
- Corpus Christi (11th June)
- Assumption Day (15th August)
- All Saints' Day (1st November)
- Independence Day (11th November)
- Christmas Day (25th December)
- Boxing Day (26th December)

Maternity Leave

- The length of maternity leave depends on the number of children born at one birth.
- The maximum length is 37 weeks in the event of giving birth to five or more children while in the event of giving birth to only one child it is 20 weeks.
- A female employee, after having used at least 14 weeks of maternity leave after the birth, is entitled to waive of the remaining part of the leave.
- In this case, the unused part of the maternity leave must be used by a male employee raising the child.



Paternity Leave

- A male employee has the right to 2 weeks' paternity leave to be taken before the child reaches the age of 24 months. It may be taken all at once or in two parts (each of the part must be at least a week).

Sick Leave

- Employees are also entitled to additional 'certified' paid sick leave for long-term illnesses when ordered by a physician (i.e. it requires a formal statement from a doctor).
- In this case, the employer pays up to 33 days of sickness (anything additional is paid for by the Social Security Bureau).

Work Hours

- The average working hours are from 8am to 4pm weekdays and 8am to 2pm on Saturdays. Most Poles don't take lunch during the day.
- Working time in Poland should not exceed 8 hours per day and an average of 40 hours per an average five-day working week.

Overtime

- Every hour you work more than 8 hours a day and 40 hours a week counts as overtime work.
- According the Polish Labor Law, you are not allowed to work more than 8 hours' extra hours per week and a maximum of 150 hours' overtime per year.

Notice Period

- Each type of contract may be terminated with proper notice:
- Required notice for short-term contracts (up to 3 months):
 - 3 working days if the probationary period does not exceed 2 weeks
 - 1 week if the probationary period is longer than 2 weeks
 - 2 weeks if the probationary period is 3 months
- Required notice for fixed-term and indefinite contracts:
 - 2 weeks if the employee has been employed for less than 6 months
 - 1 month if an employee has been employed for at least 6 months
 - 3 months if an employee has been employed for at least 3 years
- It is important to note that the employer can only terminate by giving notice. Paying an indemnity in lieu of notice is not permitted.

Severance

- Employees are entitled to severance pay of:
 - one month's pay if they have worked for the employer for less than 2 years
 - two months' pay if they have worked for the employer for between 2 and 8 years
 - three months' pay if they have worked for the employer for over 8 years.

13th Month

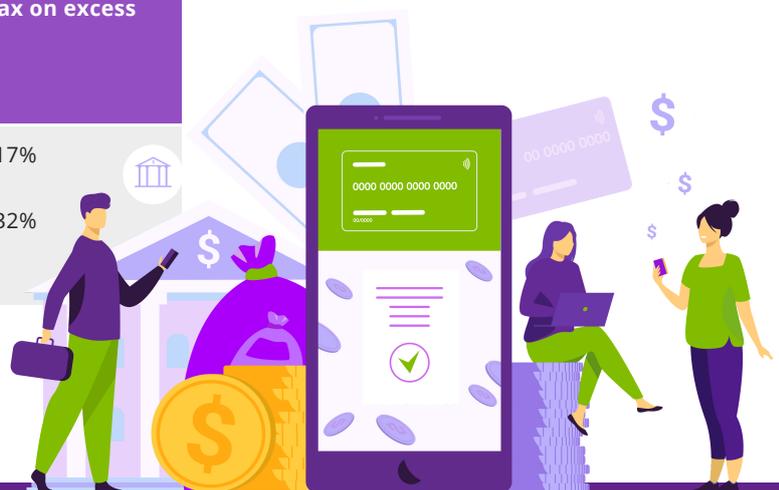
- In Poland, the 13th month salary is not mandatory.



Income Tax

- Residents are taxed on worldwide income.
- Nonresidents are taxed on Polish-source income only.
- Taxable compensation includes salaries, bonuses and other compensation from employment exercised in Poland, regardless of whether paid in cash or in kind.
- It is possible to increase the tax-deductible costs of an employee from the statutory lump sum of PLN1,335 (see introductory language preceding Section A) to a maximum of PLN85,528 annually.
- Such deduction is currently possible based on the mechanism of the transfer of copyrights to works created within the employment contract and is intended for employees who are performing certain creative activities in specified fields.
- The applicability of increased tax-deductible costs for creative activities was restricted in 2018 to certain specified activities, such as the creation of computer programs, research and development works, audiovisual works, and journalistic works.
- Education allowances provided by employers to their local and expatriate employees' children 18 years of age and under, as well as the cost of additional (not provided for by the labor law) medical packages provided to employees, are taxable for income tax and social security purposes.
- Amendments to the Personal Income Tax Act introduced an exemption from tax for employment income of young people.
- Under the amendments, employment income up to a maximum annual amount of PLN85,528 that is earned by a taxpayer who is not older than 26 years old is exempt from tax.
- Taxable self-employment income consists of income from self-employment activities after the deduction of allowable expenses. Self-employment income is generally taxed with other income at the progressive rates set forth in Rates.

Personal Income Tax			
Annual taxable income (PLN)		Tax on column 1 (PLN)	Tax on excess
Over	Not Over		
0	85,528	15,395.04	17%
85,528			32%



Social Security

- Social security contributions are paid partly by the employer and partly by the employee.
- Contributions are levied at the following rates calculated on the employee's gross remuneration.

Type of Contributions	Rate (%)
Retirement insurance	19.52
Disability insurance	8
Sickness insurance	2.45
Industrial injuries insurance	0.67 to 3.33

- Contributions for retirement insurance are paid half by the employer and half by the employee.
- The employee pays the entire sickness insurance contribution, and the employer pays the entire industrial injuries insurance contribution.
- The maximum annual base for calculating retirement and disability contributions is 30 times the projected national average monthly remuneration for that year (PLN142,950 for 2019).
- Directors' fees payable to board members and commercial proxies based on a specific resolution are not subject to social security and health care contributions.
- As a result of Poland's accession to the EU, it is covered by the EU social security regime, which is principally provided in European Community (EC) Regulations 1408/71 and 883/2004.

- Contributions to the health care system are levied at a rate of 9% on the employee's assessment base, which is gross remuneration after deduction of the employee's contributions to retirement, disability and sickness insurance.
- In general, health care contributions are partially (7.75% of the health care base) deductible for personal income tax purposes.



Contribution	Contribution amount	
Pensions and disability insurance	16.26% of total gross salary (up to the cap of PLN 156,810 in 2020) 11.26% of total gross salary (up to the cap of PLN 156,810 in 2020)	Employer Employee
Sickness insurance	2.45% of total gross salary	Employee
Accident insurance	1.67% of total gross salary for employers that employ up to nine employees. 0.67% to 3.33% of total gross salary for employers that employ more than nine employees (the precise rate depends on the business sector). In practice, a flat rate of 1.67% is applied in respect of foreign employers.	Employer
Labor Fund	2.45% of total gross salary	Employer
Employee Guaranteed Benefits Fund	0.10% of total gross salary	Employer



Deductible Expenses

- Small personal deductions or allowances may be claimed in calculating income tax.
- A limited number of deductions and credits are allowed, and only a few apply to nonresidents.
- Donations to public benefit organizations and religious institutions are deductible from income, up to 6% of the annual taxable income.
- Expenses up to PLN760 incurred with respect to internet access are deductible from income for two consecutive years, provided that the deduction was not applied in preceding years.
- Child reliefs depend on the number of children.
- A credit of PLN92.67 per month of child raising can be subtracted from the tax liability for the first (provided that the parental income does not exceed a certain limit) and second child.
- Child relief is increased to PLN166.67 per month for the third child and to PLN225 per month for each additional child.
- Self-employed individuals may deduct most costs related to generating business income, unless they are subject to lump-sum taxation
- This list contains over 60 items, including, among others, the following:
 - Written-off lapsed receivables.
 - Entertainment cost.
 - Accrued but unpaid interest.
 - Accounting and comparable provisions.
 - Tax penalties and penalty interest.
 - Part of the insurance premium paid on a passenger car, the part calculated on the excess of the car value over EUR 20,000.



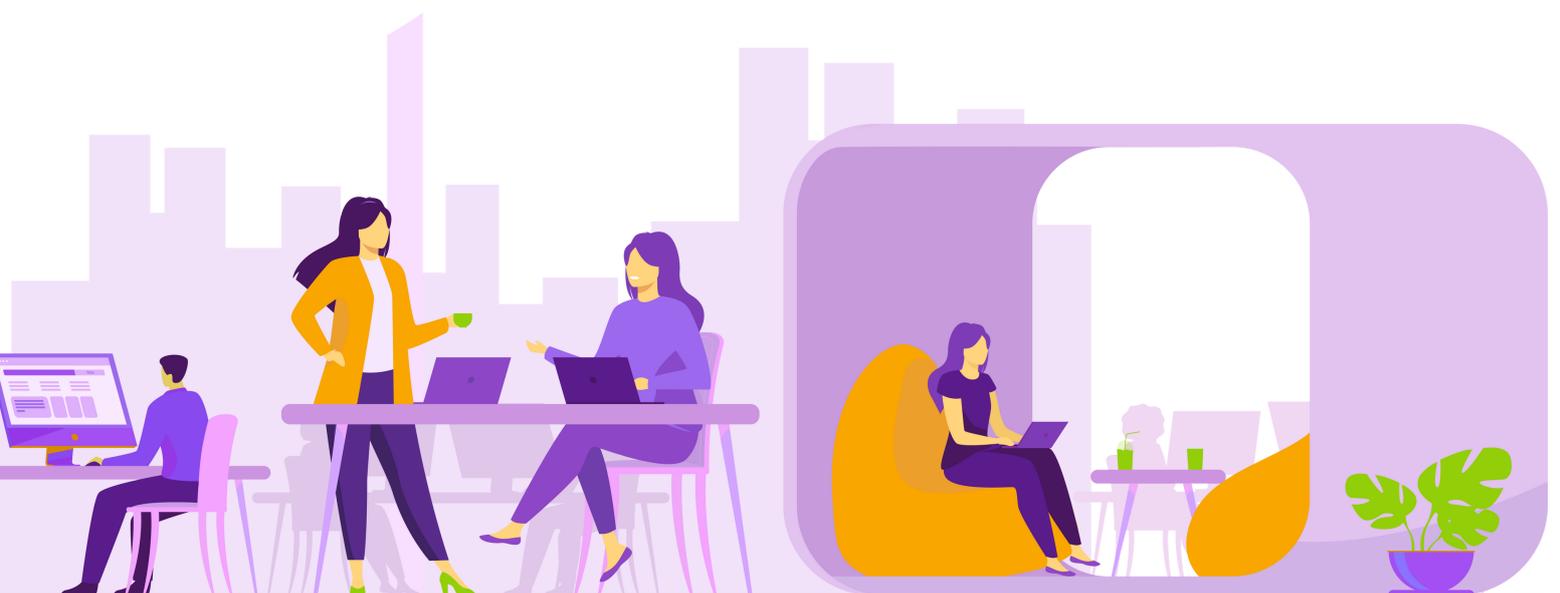
Deductible Expenses

Personal Deductions

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Business Deductions

- Self-employed individuals may deduct most costs related to generating business income, unless they are subject to lump-sum taxation
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 - Entertainment cost.
 - Accrued but unpaid interest.
 - Accounting and comparable provisions.
 - Tax penalties and penalty interest.
 - Part of the insurance premium paid on a passenger car, the part calculated on the excess of the car value over EUR 20,000.
 - Part of the depreciation write-offs made on a passenger car, the part calculated on the excess of the car value over EUR 20,000.

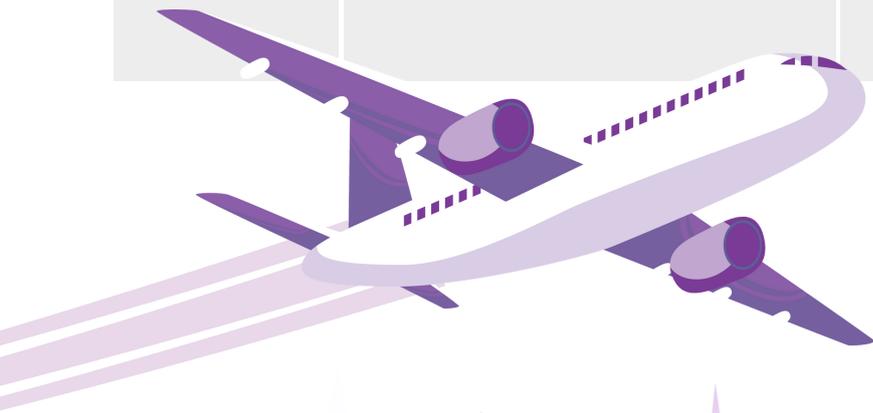


Immigration

- In general, foreign nationals wishing to work in Poland must obtain a work permit.
- However, citizens of the EU and EFTA states are exempt from the requirement of obtaining a work permit in Poland.
- Work permits for foreigners are required for the following types of employment:
 - Type A: A foreigner works in Poland under an employment contract with an entity whose headquarters, place of residence, branch, permanent establishment, or other form of activity is located in Poland.
 - Type B: A foreigner performing a function in the management board, acting as a proxy or a general partner of a legal person entered into the Register of Entrepreneurs or of a company under organization remains in Poland for more than a total of 6 months in any 12-month period.
 - Type C: A foreigner is employed by a foreign employer and is delegated to Poland for a period longer than 30 days in a calendar year to a branch or a permanent establishment of the foreign entity, or its related entity, as defined in the Act of 26 July 1991 on income tax from individuals.
 - Type D: A foreigner employed by a foreign employer that has no branch, permanent establishment or other form of an organized business activity in Poland is delegated to Poland for the purpose of performing temporary and occasional services (export services).
 - Type E: A foreigner is employed by a foreign employer and is delegated to Poland for a period longer than 30 days in any 6-month period for purposes other than those listed for Types B, C and D.
 - Type S: A foreigner is employed as a seasonal worker in areas such as agriculture, gardening and tourism. It allows foreigners to work in Poland for a maximum period of nine months in a calendar year and is available for nationals from all countries.
- A work permit is issued for an individual foreigner. The work permit includes details regarding the employer, the position or type of work to be performed by the foreigner, remuneration and the expiration date of the permit
- It is possible to apply for a residence permit with a right to work in a unified procedure. Such option is available in case of a Polish employment contract and a person legally staying in Poland.
- Each year, a maximum yearly limit of work authorizations that can be issued by the authorities may be introduced. It needs to be checked whether the limits have been introduced.
- Poland accepts EU Blue Card applications from highly skilled third-country nationals who have an employment contract with a Polish company and possess the required qualifications (relevant higher education certificates and documents proving professional experience).
- An individual holding a Blue Card may apply for an EU long-term residence after he or she has spent five years living in the EU of which the last two years were spent in Poland.



Type of Visa	Documentation	Validity	Eligibility
Work Permit	<p>Employer provides documents</p> <ul style="list-style-type: none"> • Applicants Passport • Visa • Applicant's Health Insurance • Proof of employer's legal status • A company deed • Employment Contract 	Maximum 3 years	<ul style="list-style-type: none"> • EU/EFTA individuals seeking employment in Poland • Third country individuals seeking employment in Poland (following a labor market test)
EU Blue Card	<ul style="list-style-type: none"> • Application form • Passport • 4 passport photos • Employment contract • Higher education qualifications • Proof of Health insurance 	2 years	<ul style="list-style-type: none"> • High Skilled individuals • The annual gross remuneration due to the foreigner indicated in the contract is not lower than the equivalent of 150% of the amount of the average remuneration in the national economy • Foreigner has signed a 1 year long employment contract





Value Added Tax (VAT)

- The standard VAT rate in Poland is 23%.
- There are reduced rates of 8% and 5% on certain food, books, newspapers and the supply of a limited number of other services.
- A number of services are exempt from Polish VAT, such as financial and postal services.

VAT Rates

Standard Rate	23%
Reduced Rate	8%
Reduced Rate	5%
Zero Rate	0%



Withholding Tax

Dividends

- Dividends paid by a Polish resident company to a nonresident company or individual are subject to withholding tax at 19%, unless the rate is reduced under a tax treaty or the dividends qualify for an exemption under the EU parent-subsidiary directive, provided the dividend is not related to a transaction undertaken to benefit from a tax exemption and that does not reflect economic reality

Interest

- Interest paid to a nonresident company is subject to a 20% withholding tax, unless the rate is reduced under a tax treaty or the EU interest and royalties' directive, provided the interest is not related to a transaction undertaken to benefit from a tax exemption and does not reflect economic reality
- An exemption based on the directive may be available only if the recipient is the beneficial owner of the interest
- A 19% withholding tax rate generally applies to resident and nonresident individuals

Royalties

- Royalties paid to a nonresident company or individual are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty or the EU interest and royalties' directive provided the royalties are not related to a transaction undertaken to benefit from a tax exemption and does not reflect economic reality

Other

- Fees for specified intangible services (e.g. advisory, accounting, legal, technical, advertising, data processing etc.) are subject to a 20% withholding tax.

WHT	
Dividends	19%
Interest	<ul style="list-style-type: none"> • 20% (Interest paid to non-resident company) • 19% (Interest paid to resident and nonresident individuals)
Royalties	20%
Others: - (Fees for specified intangible services)	20%



Termination

- Employment contracts may always be terminated, with no penalty, by mutual consent between the employer and employee.
- Indefinite contracts are more difficult to terminate as they require grounds and justification for termination (these reasons may be challenged by the employee in labor court, if the employee does not agree with them)
- Short-term and fixed-term contracts only require proper notice (reason and justification are not required)
- Notice periods depend on length of service
- An employer may terminate an employment agreement without notice:
 - in the event of a severe violation by the employee of the employee's basic duties
 - if the employee commits an offence, which prevents further employment in the occupied job position – if the offence is obvious or has been declared by a final court sentence
 - if the employee, through his fault, loses a license required to perform work in the occupied job position
 - if an employee is unable to work as a result of an illness
 - if an employee has any justifiable absence from work for other than aforementioned reasons, lasting for more than 1 month

Statutory Benefits

- These are benefits as postulated by law
- These include probationary period, public holidays, annual leave, sick leave, maternity leave, paternity leave, notice period, severance pay
- Statutory benefits also include social security benefits such as retirement insurance, disability insurance, sickness insurance, and industrial injuries insurance.

Statutory Benefits

Probationary period

Annual leave

Public holidays

Sick leave

Maternity leave

Paternity leave

Notice period

Severance pay

Social security contribution



Payments and Invoicing

- The tax year in Poland is the calendar year.
- By 30 April following the close of the tax year, taxpayers must file tax returns and pay any difference between total tax payable and advance payments.
- Married persons who are Polish tax residents may be taxed jointly, if certain conditions are met.
- Under additional conditions, joint filing may be available to Polish tax nonresidents who are tax resident elsewhere in the EU, the EEA or Switzerland.
- Income tax may be generally withheld directly by employers on behalf of employees and remitted to the tax office within 20 days after the end of the month in which the income is paid or made available to the employee.
- Self-employed individuals and expatriates on temporary assignments to Poland who are paid from abroad must generally make advance tax payments each month, and must file annual tax reconciliations stating their income received and the advance tax paid by 30 April of the following year.



Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Poland ranked 40th in the World in 2019 in terms of ease of doing business.



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