



Tax Alert |

Changes to the method of collecting PIT advance payments

KPMG in Poland

January 2022

On 8 January 2022, a decree of the Minister of Finance on extending the deadline for collecting and transferring personal income tax advance payments for certain tax remitters entered into force.

It was introduced in response to the January's drop in remuneration experienced by some taxpayers because of the launch of the Polish Deal program. Although according to the Ministry the aim of the decree is to extend the deadline for collecting the advance payments, from the business perspective it goes far beyond that.

What will change?

Pursuant to the new rules, advance payments for personal income tax due from a part of taxpayers, the monthly remuneration of whom remains below or is equal to PLN 12,800 gross, should be collected in an amount not exceeding the amount of advance payment collected in line with the principles applicable until 31 December 2021. Moreover, in situations where in January 2022 the remitter has already collected a higher advance payment calculated pursuant to the new rules but did not transfer it to the relevant tax office account by 7 January 2022, the excess of the advance payment is to be immediately returned to the taxpayer.

At the same time, the excess of advance payment collected pursuant to the rules applicable from 1 January 2022 over the advance payment collected in line with the principles in force until 31 December 2021 is to be collected in the month in which there will be a negative difference between advances under the old and new rules - up to the amount of the difference in a given month or in the annual settlement.

In situations where the advance payment is not deducted by 1/12 of the tax-reducing amount, the taxpayer may apply to the remitter to refrain from using the tax advance payment collection mechanism provided for by the decree.

> Who will be affected?

The amendment pertains to remitters remunerating taxpayers under contracts of employment, contracts of mandate, retirement and disability pension in an amount not exceeding PLN 12,800 per month. Importantly, the above threshold applies separately to each source of revenue. The deadline extension applies to revenue earned between 1 January 2022 and 31 December 2022.

> How will it affect business operations?

The amendments bring the need to analyse the hypothetical remuneration of the taxpayer according to the rules introduced under the Polish Deal and according to the previously applicable rules as well as to collect an advance payment in line with the rules that provide for a lower amount thereof. This, in turn, makes it necessary to properly adjust the accounting system in use, and explore the possibilities of not applying the new mechanism. Importantly, in situations where the remitters have already paid remuneration to taxpayers in January and it turned out to be lower than remuneration paid out in line with the rules applicable before 1 January 2022, they are required to make the necessary remuneration adjustments.

It should be noted that there are doubts as to whether the material decree does not go beyond the limits set by Article 50 of the Polish Tax Code, which would mean that acting in line with the decree could result in the remitter's fiscal penal liability.

If you would like to learn more about the issues discussed, please do not hesitate to contact us.

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