



Tax Alert |

Amendments under Polish Deal 2.0 passed by the Sejm

KPMG in Poland

May 2022

On 12 May 2022, the Lower House of the Polish Parliament passed the act amending the act on personal income tax and certain other acts, implementing the Polish Deal 2.0 program (hereinafter: the Act).

A review of the key amendments can be found below.

Reduced PIT rate

The key change relates to PIT payers settling their taxes under general rules (i.e., disability and old-age pensioners, employees, contractors, and entrepreneurs) and consists in reducing the PIT rate for the first personal income tax bracket **from 17 to 12 percent**.

Changes to health insurance premiums

The amendments are also to bring the possibility to reduce the taxable base by the remitted health insurance contributions (up to a certain limit) for individuals obtaining revenue from business activity subject to flat tax, fixed amount tax or lump-sum tax on recorded revenue. The annual deduction cap for **flat tax payers is set at PLN 8,700, at 50 percent of the amount of contributions paid for lump-sum tax payers and at 19 percent of the premiums remitted by fixed amount tax payers (in form of a tax reduction)**.

> Elimination of the middle-class relief

The amendments bring elimination of the middle-class relief, with a reservation that taxpayers can still settle the tax for 2022 according to the previously applied rules (i.e., using the middle-class relief), if it proves more favourable for them.

> Tax scale for taxpayers in the lump-sum tax on recorded revenue or flat tax regime in 2022

Due to reduction of the PIT rate for the first personal income tax bracket from 17 to 12 percent, already applicable to income earned in 2022, **the Act allows the taxpayers who in 2022 apply flat tax** or lump-sum tax on recorded revenue to switch to taxation according to the tax scale.

Selection thereof will be possible:

- *ex post* (after the end of the tax year 2022) for the entire tax year for entrepreneurs who have opted for flat taxation;
- after the end of the tax year or until 22 August 2022 – for the second half of the year – for taxpayers who have opted for lump sum taxation.

> Setting the deadline for all annual PIT settlements for 30 April

Under the Act, the deadlines for personal income tax payers have been unified to **make PIT-28 and PIT-28S annual returns due by 30 April of the subsequent tax year**. Deadline extension is to apply already to PIT-28/PIT-28S annual returns submitted for 2022. Consequently, the deadline for settling lump-sum tax on recorded revenue for December and the last quarter of the tax year has also been extended.

> Preferential treatment of families and children

The amendments restored the possibility of filing a joint return by single parents together with their children, meaning that single parents can use the tax-free allowance of PLN 30 thousand twice. Joint settlements are to replace the PLN 1,500 relief introduced on 1 January 2022.

Moreover, under the Act, the earning threshold that a child can achieve without losing tax preferences by their parents was increased **from PLN 3,089 to PLN 16,061.28 in 2022** (12 x social pension).

> New deadlines for submitting JPK_CIT and JPK_PIT

The Act provides for extension of the deadline for submitting JPK_CIT and JPK_PIT (SAF-T) forms.

Additional obligations in this regard will be introduced from:

- 2024, for CIT payers with revenue for the previous tax year exceeding EUR 50 million or tax groups;
- 2025, for PIT and CIT payers (other than those listed above) required to submit JPK_VAT files;
- 2026, for all the other CIT and PIT payers.

> Monument relief – up to the amount of renovation expenses

Starting from 1 January 2023, expenses incurred in relation to acquisition of a historic real estate entered in the register of monuments or participation in such a real estate will not constitute the basis for reducing taxable income. As of 1 January 2023, the “monument relief” can be applied to expenses:

- incurred in the tax year in the form of contributions to the repair and renovation reserve of a housing community or housing cooperative established, in accordance with separate regulations, for a historic real estate entered in the register or list of monuments;
- incurred for conservation, restoration or construction works related to historic real estate entered in the register of monuments.

The Act preserves taxpayers’ right to deduct expenses listed in Article 26hb(1)(2)(3) (i.e., conservation, restoration or construction works related to historic real estate and purchase thereof) of the PIT Act, incurred until the end of 2022.

> Tax abolition repealed

“Tax abolition” provisions, brought into force on 1 January 2022, introduced the possibility of covering income that is subject to income tax in Poland, but has not been disclosed by the taxpayer or by the remitter for taxation in whole or in part, with a transitional lump-sum tax. Under the Polish Deal 2.0, however, tax abolition provisions have been repealed.

The Act is now to be submitted to the Senate. The essential part of the amendments brought by the Act will enter into force on 1 July 2022.

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