

## **POLAND 1999**

### **1. Overview of the system**

The unemployed persons receive benefits in a determined amount for a period from 6 to 18 months. In cases provided for in the law they may receive social assistance benefits after the loss of the unemployment benefit. Besides, social assistance plays a role of the “last resort benefit” Housing allowances function outside the social assistance system and require fulfilment of income criterion. The income criterion also applies in the case of family benefits.

The tax system allows for joint taxation of spouses, and in the case of single parents – joint taxation with the child.

As concerns social benefits, pension benefits (retirement and disability pensions) and unemployment benefits as well as pre-retirement allowances and bridging benefits are taxable.

The 1999 estimated APW level is PLN 20 377 (preliminary data).

### **2. Unemployment insurance**

#### **2.1 *Conditions for receipt***

The right to unemployment benefit is granted to a person registered as unemployed, able and ready to take up employment on a full time basis, according to the working time rate applied in a given occupation or service, who has reached the age of 18 years and has not reached the retirement age (60 years for women and 65 years for men). Persons applying for unemployment benefits may not be owners or possessors of an agricultural estate, with arable land exceeding the area of 2 hectares taken for the purposes of calculation nor have monthly income in the amount exceeding half the minimum pay. They should not be the recipients of permanent compensatory allowance, guaranteed periodic allowance or social pension, on the basis of the social assistance legislation.

##### **2.1.1 *Employment conditions***

The right to the benefit is granted to the unemployed person for each calendar day after the lapse of 7 days from a day of registration in an appropriate district (powiat) labour office, if there are no proposals of suitable employment for him / her, no referral to subsidised job, public works or to a created additional job; and if during the period of 18 months preceding the day of registration, for a total period of at least 365 days, s/he was employed and reached remuneration at least equal to half the minimum pay.

### 2.1.2 *Conditions for insurance contribution*

None

## 2.2 *Calculation of benefit amount*

In 1999 unemployment benefits were subject to indexation by consumer prices growth index for the previous quarter, since the first day of the third month after the end of this quarter. The monthly amount of unemployment benefit in 1999 was as follows:

- 1 March 1999 – PLN 383.90
- 1 June 1999 – PLN 393.90
- 1 September 1999 – PLN 402.60
- 1 December 1999 – PLN 406.30

Note: The Tax Benefits and Work incentives OECD 1999 Database reflects the benefits as in 1st July 1999.

### 2.2.2 *Income and earnings disregards*

Gross income of an applicant for the benefit is disregarded up to the amount of half the minimum pay (in 1999 the average minimum pay was gross PLN 653.33 per month = PLN 7 840 per year).

## 2.3 *Tax treatment of benefit*

Taxation rate is 19% of gross benefit. Net benefit = gross benefit – (gross benefit \* 19% - 394.80).

## 2.4 *Benefit duration*

The right to the benefit is granted to the unemployed person for each calendar day after the lapse of 7 days from a day of registration in an appropriate district (powiat) labour office. The period of receiving the benefit is as follows:

6 months – for the unemployed persons who, during the period of receiving the benefit, reside on the territory of competence of a district (powiat) labour office, if the unemployment rate on this territory on 30 June of the year preceding the date of acquiring the right to benefit did not exceed the national average unemployment rate,

12 months for the unemployed persons who, during the period of receiving the benefit, reside on the territory of competence of a district (powiat) labour office, if the unemployment rate on this territory on 30 June of the year preceding the date of acquiring the right to benefit exceeded the national average unemployment rate (*note: for calculations, this is assumed to be the most general case*),

18 months for the unemployed persons who:

during the period of receiving the benefit, reside on the territory of competence of a district (powiat) labour office, if the unemployment rate on this territory on 30 June of the year preceding the date of acquiring the right to benefit exceeded twice the national average unemployment rate, if at the same time they had at least 20-year benefit eligibility period or

who have at least one dependent child in the age of up to 15 years if a spouse of the unemployed person is also unemployed and forfeited the right to benefit because of expiry of the a period of receiving benefit.

## **2.5 Treatment of particular groups**

### **2.5.1 Young persons**

The school-leaver referred to training is eligible, during the training period, for fellowship equalling 60% of the amount of benefit.

Upon his application or with his / her consent, the powiat labour office may refer him / her to employer for on-the-job training for a period not exceeding 12 months. During the training s/he is entitled to the fellowship in the amount of the benefit.

An unemployed person resident in powiat (gmina) considered as threatened with particularly high structural unemployment, who – within a period of 6 months from the expiry of his / her school-leaver status has taken up education in a post-primary school for adults, may be granted the fellowship, equal to 60% of the amount of benefit, payable for the period of 12 months.

### **2.5.2 Older workers**

Persons who fulfil the conditions for eligibility for unemployed status and benefit and who have reached:

the length of employment giving entitlement to benefit, being 30 years for women and 35 years for men or

the length of employment giving entitlement to benefit, being 25 years for women and 30 years for men, including at least 15 years in special conditions or special character

are entitled to bridging benefits equal to 120% of benefit.

The amount of the bridging benefit equals 160% of benefit if the entitled person resides on the date of acquiring the right to bridging benefit and during the period of its reception in powiats (gminas) considered as threatened with particularly high structural unemployment, if his / her employment relationship has been terminated because of the reasons on the part of employer.

The bridging benefit equal to 160% is also granted to persons not resident in areas considered as threatened with particularly high structural unemployment, if their employment relationship has been terminated after 1 July 1996 because of the reasons on the part of employer, in result of one-time reduction of employment, or reductions in a period not longer than 3 months, if at least 100 employees have been laid off.

Generally the amount of the bridging benefit may not exceed 90% of average monthly pay constituting the basis of calculating of social insurance and Labour Fund contributions and may not be lower than 120% of unemployment benefit. Persons fulfilling conditions for acquiring the status of the unemployed and the right to unemployment benefit, who:

have reached at least the age of 58 years (women) and 63 years (men) and have the employment length necessary to acquire the retirement rights, or

in the calendar year in which the employment relationship was terminated because of the reasons on the part of employer have reached the age of 55 years (women) and 60 years (men) and have the employment length necessary to acquire the retirement rights, or

up till the day when the employment relationship was terminated because of the reasons on the part of employer have reached the period entitling to the retirement, equal to at least 35 years (women) and 40 years (men), or

up till 31 December of the year preceding the termination of the employment relationship have reached the period entitling to the retirement, equal to at least 34 years (women) and 39 years (men), and the employment relationship was terminated in connection with employer's insolvency have the right to the pre-retirement allowance equal to 90% of old-age pension amount specified in a decision, which determined the amount of old-age pension.

In any case, however, the bridging benefit as well as pre-retirement allowance may not be lower than 120% of the unemployment benefit.

Bridging benefits and pre-retirement allowances are subject to indexation under the principles laid down for the unemployment benefits.

### *2.5.3 Lone parents*

No supplementary benefits.

## **3. Unemployment assistance**

None.

## **4. Social assistance**

### *4.1 Conditions for receipt*

To have insufficient means of living under income criteria and to meet social criteria. Income criteria differ depending on kind of benefit and demographic composition of a family.

Social criteria: Poverty, orphanage, homelessness, protection of maternity, unemployment, disability, permanent illness, alcohol and drug addiction, difficulties in adjustment to life after imprisonment, natural ecological disaster, inability to provide for the care of children or a household, especially in a large or incomplete families.

## **4.2 Calculation of benefit amount**

### **4.2.1 Calculation of gross benefit**

It is a general principle that the benefit is payable in the following amounts:

	September 98 – May 99	July 99 – May 2000
Single person	351,00 PLN	384,00 PLN
First person in family	318,00 PLN	348,00 PLN
Second and next over 15 years of age	224,00 PLN	245,00 PLN
Child under 15 years	160,00 PLN	175,00 PLN

### **4.2.2 Income and earnings disregards**

No disregards. Income test on net income.

## **4.3 Tax treatment of benefit**

Not taxable.

## **4.4 Benefit duration**

Unlimited.

## **4.5 Treatment of particular groups**

### **4.5.1 Young persons.**

None

### **4.5.2 Older workers**

None

## **5. Housing benefits**

### **5.1 *Conditions for receipt***

Housing benefits are paid by local authorities to the low income households (under income - minimum pension per capita). They are outside the social assistance system.

### **5.2 *Calculation of benefit amount***

#### **5.2.1 *Calculation of gross benefit***

The difference between costs of rent and standard cost provided by the legislation. In 1999 the average amount of the benefit was 119.55 PLN per month. Housing benefits are paid directly to the benefit recipient's landlord.

#### **5.2.2 *Income and earnings disregards***

No disregards

### **5.3 *Tax treatment of benefit***

No taxable.

### **5.4 *Treatment of particular groups***

Special treatment of the disabled persons in the calculation of housing benefits.

## **6. Family benefits**

### **6.1 *Conditions for receipt***

The claimant must have a dependent child aged under 16, or under 20 if still in education. A dependent wife aged over 60 or husband aged over 65 or when this person have a child who is eligible for nursing benefit or is disabled also qualifies.

### **6.2 *Calculation of benefit amount***

#### **6.2.1 *Calculation of gross benefit***

- 1.06.1998 – 31.05.1999 (per month)
- 32.3 PLN for the first and second child (each),

- 40 PLN for the third child,
- 50 PLN for the fourth and next children (each).
- 1.06.1999 - 30.05.2000 (per month)
- 35.3 PLN for the first and second child (each),
- 43.7 PLN for the third child,
- 54.6 PLN for the fourth and next child (each).

### **6.2.2** *Income and earnings disregards*

The benefit ceases if the total gross income per each household member, in a calendar year preceding a period of collecting benefit, exceeds 50 per cent of the national average wage for the same calendar year. Benefit is granted for a period of 12 months (1.06. – 31.05.), thus the right to benefit is tested once a year.

Average monthly gross remuneration (including monthly insurance contributions) in the national economy in 1999 was PLN 1 706.74.

Note: This is per each household member, not per each adult in the household.

Per each household member

### **6.3** *Tax treatment of benefit*

Not taxable.

### **6.4** *Treatment of particular groups*

#### **6.4.1** *Young persons*

None.

#### **6.4.2** *Older workers*

See above.

## **7. Child-care benefits**

### **7.1** *Conditions for receipt*

Families or single parents raising child or children under 6 years.

Maximum duration of benefit 3 years

## **7.2** *Calculation of benefit amount*

### *7.2.1 Calculation of gross benefit*

to 31.05.1999 childcare benefit was paid in an amount of PLN 242.80 and PLN 386.10 for lone parent

from 01.06.1999 childcare benefit was paid in an amount of PLN 264.90 and PLN 421.30 for lone parent

### *7.2.2 Income and earnings disregards*

Income tested (income per member of the family)

to 31.05.1999 PLN 265.48 max

from 01.06.1999 PLN 309.87 max

## **7.3** *Tax treatment of benefit*

Not taxable.

## **8. Employment-conditional benefits**

None.

## **9. Lone-parent benefits**

None.

## **10. Tax system**

### **10.1** *Income tax rate schedule*

Any individual resident in Poland or on a temporary stay longer than 183 days in a given tax year, is liable to tax on his/her world wide income, irrespective of the source of that income.

#### *10.1.1 Tax allowances and credits*

Allowances:

Relief for work related expenses.

Standard deductions depend on the number of workplaces and on whether dwelling place and work place are the same or not. The annual deductible amounts in PLN are:

	<b>one workplace</b>	<b>two/more workplaces</b>
same as dwelling place	888.72	1 333.08
different from dwelling place	1 110.84	1 666.35

### *10.1.2 The definition of taxable income*

Gross income minus the above tax allowances. Gross income is the sum of gross earned income and all benefits, whether cash or in kind (with the exception of family benefits, child-care benefits and social assistance benefits).

### *10.1.3 The tax schedule*

The tax schedule is as follows:

<b>Tax base (in zlotys PLN)</b>		<b>Tax amount</b>
over	below	
	29 624	19 % of the tax base, less a basic tax credit of PLN 394.80
29 624	59 248	PLN 5 233.76 + 30% of surplus over PLN 29 624
59 248		PLN 14 120.96 + 40% of surplus over PLN 59 248

### *10.2 Treatment of family income*

The tax unit is the individual. Couples have the option to file a joint tax return. The tax liability in that case is calculated on half the joint taxable income, and subsequently doubled.

### *10.3 Social security contribution schedule*

Since 1st of January of 1999 social insurance contributions are paid by employer and employee. Social insurance contribution paid by employee covers:

Retirement	9,76% of wages before taxation
Disability	6,50% of wages before taxation
Sickness	2,45% of wages before taxation

Furthermore, health insurance contribution is paid by employee as well. Rate of contribution is 7,5% of wage after deducting social insurance contributions and health insurance is deducted from the taxes.

## **12. Policy developments**

### ***12.1 Policy changes introduced in the last year***

There have been 4 major reforms implemented in 1999: administrative, social insurance, health insurance and educational.

Social Insurance Reform and Health Insurance Reform have introduced contributions paid by employee (till the end of 1998 contributions to social insurance were paid by employers only and the health care was financed from the state budget).

Following these changes, rules of payment have also changed. Individual wages and salaries have been increased by amount of contributions paid by employees. Contributions to social insurance are not taxable. Contributions to health insurance are deducted from taxes.

### ***12.2 Policy changes announced***

None.

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The annual tax/benefit position of an unemployed single person  
1999  
(in zoltys)

	Unemployment insurance (12 months)	Social assistance (not insured) (unlimited)
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
Unemployment benefits	4 727	
<b>Non-means tested benefits</b>		
<b>Total taxable benefits</b>	<b>4 727</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	0	
Taxable income	4 727	
Tax liability	503	
Income tax credits	395	
<b>Total income tax and social security contributions</b>	<b>108</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		3 173
Family benefits	0	0
Housing benefits	426	1 435
<b>Non-means tested benefits</b>		
<b>Total non-taxable benefits</b>	<b>426</b>	<b>4 608</b>
<b>D. Net income out of work (A-B+C)</b>	<b>5 044</b>	<b>4 608</b>
<b>E. Net income in work</b>	<b>13 981</b>	<b>13 981</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>36</b>	<b>33</b>

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**The annual tax/benefit position of an unemployed married couple  
with two children (6 and 4 years old)  
1999  
(in zoltys)**

	Unemployment insurance (18 months)	Social assistance (not insured) (unlimited)
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
Unemployment benefits	4 727	
<b>Non-means tested benefits</b>		
<b>Total taxable benefits</b>	<b>4 727</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	0	
Taxable income	4 727	
Tax liability	503	
Income tax credits	790	
<b>Total income tax and social security contributions</b>	<b>0</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance	0	9 034
Family benefits	847	847
Housing benefits	1 435	1 435
<b>Non-means tested benefits</b>		
<b>Total non-taxable benefits</b>	<b>2 282</b>	<b>11 316</b>
<b>D. Net income out of work (A-B+C)</b>	<b>7 009</b>	<b>11 316</b>
<b>E. Net income in work</b>	<b>15 223</b>	<b>15 223</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>46</b>	<b>74</b>

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**The annual tax/benefit position of a lone parent  
with two children (6 and 4 years old)**

**1999**

(in zoltys)

	Unemployment insurance 18 months	Social assistance (not insured) (unlimited)
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
Unemployment benefits	4 727	
<b>Non-means tested benefits</b>		
<b>Total taxable benefits</b>	<b>4 727</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances	0	
Taxable income	4 727	
Tax liability	503	
Income tax credits	395	
<b>Total income tax and social security contributions</b>	<b>108</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance	0	6 094
Family benefits	847	847
Housing benefits	1 435	1 435
<b>Non-means tested benefits</b>		
<b>Total non-taxable benefits</b>	<b>2 282</b>	<b>8 376</b>
<b>D. Net income out of work (A-B+C)</b>	<b>6 900</b>	<b>8 376</b>
<b>E. Net income in work</b>	<b>14 828</b>	<b>14 828</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>47</b>	<b>56</b>