

# THE OECD TAX-BENEFIT MODEL FOR POLAND

Description of policy rules for 2019



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**OECD team:** Olga Rastrigina (lead author), James Browne, Raphaela Hye, Herwig Immervoll, Duncan Macdonald, Dirk Neumann, Daniele Pacifico.

**National team:** Olga Baczkowska (lead author), Maciej Banaś, Monika Siergiejuk, Ministry of Family, Labour and Social Policy of Poland

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## Preface

The [OECD Tax-Benefit model \(TaxBEN\)](#) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of **working age** (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of *stylised* families (“vignettes”, e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits and support for non-parental childcare are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. The **Annex** provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

### Reading notes and further details on the scope and content of this report

- The **reference date** for policy rules described in this report is **January 1, 2019**.
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and references to reports and analytical uses is available on the [project website](#). A [methodology](#) document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol  in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the **variable names** are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.

## The OECD tax-benefit model for Poland: Policy rules in 2019

### 1. Reference wages and other reference amounts

Average wage [**AW**]: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available [here](#))<sup>1</sup>. If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth<sup>2</sup> to the latest available wage estimate.

The minimum wage [**MIN**] in 2019 is PLN 2 250 per month. The annual minimum wage is computed by multiplying the minimum monthly wage (as of 1 January 2019) by 12, i.e. EUR 2 250 \* 12 = EUR 27 000.

### 2. Unemployment benefits

#### 2.1. Unemployment benefit (*Zasilek dla bezrobotnych*)

Code in the OECD tax-benefit model:<sup>3</sup> [**UI\_p**; **UI\_s**]

This is an unemployment insurance benefit. It is contributory, not means-tested and taxable.



##### 2.1.1. Eligibility conditions

**Age:** 18-60 (women)/ 65 (men)

- **Contribution/employment history:** A person is eligible to unemployment benefit if within the 18 months directly before the day of unemployment registration he or she was employed for at least 365 days, and received remuneration in the amount of at least the minimum remuneration for which contributions are paid to the Labour Fund.

**Behavioural requirements and related eligibility conditions:** The right to unemployment benefit is granted to registered unemployed persons if the labour office has no proposals of suitable work (or similar). TaxBEN assumes that these compulsory conditions are satisfied when simulating unemployment benefits.<sup>4</sup>

<sup>1</sup> Average Wages are estimated by the [Centre for Tax Policy and Administration](#) at the OECD. For more information on methodology see the latest [Taxing Wages publication](#).

<sup>2</sup> Wage growth projections are based on [OECD Economic Outlook](#) and [EU economic forecasts](#) (for non-OECD countries).

<sup>3</sup> The variable names ending with “\_p” refer to the first adult (so-called “principal” adult) whereas those ending with “\_s” are related to the spouse.

<sup>4</sup> Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see [Immervoll and Knotz \(2018\)](#), [Langenbacher \(2015\)](#) and [Venn \(2011\)](#).

### 2.1.2. Benefit amount

The monthly level of unemployment benefit is PLN 847.80 in the first 90 days (approx. 3 months) and PLN 665.70 afterwards (since 1 June 2018 to 31 May 2019).

Additionally the benefits are adjusted according to the number of years at work:

- persons having less than 5 years receive 80% of benefit,
- persons having from 5 to 20 (excluding) years receive 100% of benefit,
- persons having at least 20 years receive 120% of benefit.

Unemployment benefits are subject to indexation on 1 June by the average annual total price index of consumer goods and services for the previous year. Indexation of unemployment benefits doesn't apply in case when the average annual total price index of consumer goods and services has not changed or has decreased.

### 2.1.3. Benefit duration

The benefit is granted to the unemployed person from the day of registration (except some specific cases). The period of receiving the benefit is:

1) 180 days – if the unemployment rate in that area on 30 June of the year preceding the day of acquiring the right to the benefit did not exceed 150% of the average unemployment rate in the country;

2) 365 days (*this duration is assumed in the model*) – if:

a) the unemployment rate in that area on the day 30 June of the year preceding the day of acquiring the right to the benefit exceeded 150% of the average unemployment rate in the country, or

b) over 50 years old and have at least 20-year period entitling to the benefit, or

c) have at least one child to support (up to 15 years old), and the spouse is also unemployed and has exhausted the right to the benefit, or

d) a single person bringing-up at least one child up to 15 years old.

There are possibilities to re-apply for benefits once they have expired, provided that the conditions concerning the benefit eligibility period are fulfilled.

### 2.1.4. Means test

The benefit is not means-tested.

### 2.1.5. Tax treatment

The benefit is taxable. Tax rate is 18% of the gross benefit. It is also subject to health insurance contributions: 9%. For calculating the net benefit amount the basic tax credit and the relief on health insurance contributions (7.75%) are taken into account.

Net unemployment benefit = gross benefit – income tax – health insurance

Where:

income tax = (gross benefit \* 18% - basic tax credit) – gross benefit \* 7.75%

health insurance = gross benefit \* 9%

The income tax cannot be lower than 0.

Unemployment benefit is the basis for calculating the old-age pension insurance and disability pension insurance contributions. Both contributions are covered by poviats labour office from Labour Fund's resources.

#### 2.1.6. *Interactions with other components of the tax-benefit system*

Unemployment benefit is included in the means test for family benefits, housing and social assistance benefits (covered in this report).

#### 2.1.7. *Combining benefit receipt and employment/starting a new job*

The unemployed may have income up to 50% of the minimum gross remuneration, but from sources other than wage. The minimum gross remuneration amounts to: PLN 2250 in 2019.

In case of hiring the unemployed up to 30 years old, referred by the poviats labour office, employers are exempt from obligation of paying contribution to the Labour Fund in first 12 months of employment. This exemption applies also to the contributions to the Guaranteed Employee Benefits Fund. The same rule applies to persons over 50 years old registered in labour office for at least 30 days before referring to the employer. *(not modelled)*

### 3. Social assistance and housing benefits

Social assistance consists of various categories of cash benefits as well as different forms of non-financial support. There are three basic types of cash benefits: permanent benefit (*zasilek stały*), temporary benefit (*zasilek okresowy*) and purpose benefit (*zasilek celowy*). Section 3.1. covers the temporary benefit which is simulated in the model. Other benefits are described in the Annex.

Housing benefits are paid by local authorities to the low income households but they are not part of the social assistance system. Housing benefit (*dotatki mieszkaniowe*) is described in Section 3.2.

#### 3.1. *Temporary benefit (Zasilek okresowy)*

Code in the OECD tax-benefit model: **[SA]**

This is a non-contributory benefit, means-tested and not taxable.

##### 3.1.1. *Eligibility conditions*

Temporary benefit may be granted to persons (18+) and families without sufficient income due to:

- long term illness *(not modelled)*
- poverty
- orphanage *(not modelled)*
- homelessness *(not modelled)*
- unemployment
- other *(not modelled)*.

### 3.1.2. Benefit amount

The maximum benefit amount is calculated as follows:

- for a single person - up to the difference between the income criterion of a single person and his/her income, provided that the amount of the allowance cannot exceed PLN 418 per month;
- for the family - up to the difference between the family income criterion and the family income.

The minimum amount of temporary benefit cannot be lower than 50% of the difference between:

- the criterion of income of a single person household and the income of that person;
- the criterion of income of the family and the actual income of that family.

The amount of the temporary benefit cannot be lower than 20 PLN per month. If the calculated benefit is lower than 20 PLN, it is levelled to 20 PLN and paid in this amount.

The commune council (rada gminy) may, by resolution, increase the minimum amount of temporary benefit. The actual benefit amount depends on discretionary administrative decision and might be less than the maximum.

### 3.1.3. Benefit duration

The period for which the temporary benefit is granted is determined by the local social assistance center and depends on the case circumstances. In the model, unlimited duration is assumed.

### 3.1.4. Means test

In order to be eligible for the benefit a single person or a family should have insufficient means of living under the following income criteria: PLN 701 for single person; PLN 528 for a person in family (per capita).

The income calculated for the purpose of social assistance benefits (including temporary benefit) is the sum of all monthly family income less personal income tax, contributions for health insurance and for social insurance as well as the amount of alimony payable to other persons. The income calculated in this way does not include the following benefits (*all except the first bullet point are not covered by the model*):

- child-support benefit (500+) and educational supplement (“allowance at beginning of the school year”, provided in accordance with the Act on supporting family and the system of foster care);
- a one-off social cash benefit;
- a purpose benefit;
- material assistance of a social or motivational nature;
- the value of benefits in kind;
- a benefit for an unemployed person for performance of socially useful work;
- and some other small-scale incomes and benefits.

### 3.1.5. Tax treatment

The benefit is not taxable.

### 3.1.6. Interaction with other components of the tax-benefit system

The temporary benefit is not included into the calculation of the income for the purpose for other income-tested benefits described here and included into this tax-benefit model (i.e. housing benefit, family allowances and supplements, child-support benefit 500+).

### 3.1.7. Combining benefit receipt and employment/starting a new job

Temporary benefit may be also granted for up to 2 months after job take-up, regardless of the income earned, for a person with a signed social contract (*not modelled*).

## 3.2. Housing benefit (*Dodatki mieszkaniowe*)

Code in the OECD tax-benefit model: [\[HB\]](#)

This is a non-contributory benefit, means-tested and not taxable. Housing benefits are paid to the owners of the houses, flats and tenants (*the latter is assumed in the model*).

### 3.2.1. Eligibility conditions

Low-income households meeting the income test and house size requirements.

### 3.2.2. Benefit amount

The benefit is paid based on the difference between what is considered a reasonable payment for a family and actual housing costs. Housing costs cannot exceed a maximum amount, calculated based on the size of the family and the size of the flat.

The reasonable payment for a house is based on the size of the house, as follows:

- 35 m<sup>2</sup> – one person (max. to 45,50 m<sup>2</sup>)
- 40 m<sup>2</sup> – two people (max. to 52,00 m<sup>2</sup>)
- 45 m<sup>2</sup> – three people (max. to 58,50 m<sup>2</sup>)
- 55 m<sup>2</sup> – four people (max. to 71,50 m<sup>2</sup>)
- 65 m<sup>2</sup> – five people (max. to 84,50 m<sup>2</sup>)
- 70 m<sup>2</sup> – six people (max. to 91,00 m<sup>2</sup>)
- each additional person – 5 m<sup>2</sup> (15 m<sup>2</sup> disable person in a wheelchair or with the requirement of an independent room).

The area of the house cannot exceed these limits by more than 30%. To calculate the expected housing costs, one has to calculate the cost per square meter of the house, and then multiply this cost per metre by the expected house size.

The household has to cover the housing expenses up to:

	Single person households		2 to 4 person households		5+ person households	
	< 125%	[125%,175%]	< 100%	[100%,125%]	< 100%	[100%,125%]
Income per family member as % of Min Pension	< 125%	[125%,175%]	< 100%	[100%,125%]	< 100%	[100%,125%]
Household Contribution	15%	20%	12%	15%	10%	12%

The minimum retirement pension is PLN 1 029.8 per month (since 1 March 2018 and until 28 February 2019) and PLN 1100 per month (since 1 March 2019). The former is used in

the model for policy year 2019, and the latter for policy year 2020, since the policy reference date is 1 January.

Example:

A single person in a 36m<sup>2</sup> house paying PLN 360 per month would have a cost per metre of PLN 10. PLN 10 times the expected house size (35m<sup>2</sup>) gives an expected housing cost of PLN 350. If the individual earns PLN 1 000 he would be expected to pay 15% of 1000, or PLN 150. The housing benefit would thus be the expected housing cost (PLN 350) minus their expected contribution (PLN 150), or PLN 200.

### 3.2.3. *Benefit duration*

The benefit is granted for a period of 6 months with the possibility of re-granting if the statutory conditions are met.

### 3.2.4. *Means test*

A single person must have gross income under 175% of the minimum retirement pension and families under 125% of the minimum retirement pension per capita. The tested income includes gross employment income, unemployment benefits and family benefits (covered in this report), with the exception of family 500+ benefit.

### 3.2.5. *Tax treatment*

Benefits are not taxable.

### 3.2.6. *Interaction with other components of the tax-benefit system*

Housing benefit is included to the income test for social assistance benefits.

### 3.2.7. *Combining benefit receipt and employment/starting a new job*

The eligibility does not depend on the employment status (as far as income test and other criteria are satisfied).

## 4. Family benefits

### 4.1. *Family allowance (Zasilek rodzinny)*

Code in the OECD tax-benefit model: `[FB_basic, FB_lone, FB_lgf, FB_sch, CCB]`

This is a non-contributory benefit, means-tested and not taxable.

#### 4.1.1. *Eligibility conditions*

The claimant must have a dependent child aged under 18, or under 21 if still in education, or 24 if disabled and still in education.

#### 4.1.2. *Benefit amount*

Since 1 November 2016 **basic family allowance** `[FB_basic]` amounts to:

- PLN 95 monthly for a child until the child is 5 years old
- PLN 124 monthly for a child of 5 up to 18 years old
- PLN 135 monthly for a child of 18 up to 24 years old.

Within family allowance there are following supplementary benefits available:

- **Allowance for single parents [FB<sub>lone</sub>]** – PLN 193 per child per month (to a maximum of PLN 386 per month); amounts are higher in case of children with disability - the amount of the allowance shall be increased by PLN 80 for a child, however, not more than PLN 160 for all children (*not modelled*).
- **Allowance for raising a child in a large family [FB<sub>lgf</sub>]** – for the third and each next child PLN 95 per child per month.
- **Allowance at beginning of the school year [FB<sub>sch</sub>]** – PLN 100 per child per year (mandatory school age is 7 years).
- **Birth supplement:** a payment granted in case of a child birth – one-off payment of PLN 1 000 (*not modelled*).
- **Child care during parental leave [CCB]** – PLN 400 per month for max 24 months (36 months in case of more than one child born during the same labour, 72 months if a child with disability).
- **Allowance on education and rehabilitation of disabled children** – PLN 90 per month per child aged up to 5 and PLN 110 per child aged 6-24 (*not modelled*).
- **Allowance for undertaking by a child education in a school outside the area of residence:** PLN 113 – per child per month (if child lives in locality, where the school is located), or PLN 69 per child per month (if child commutes to a school in a locality other than that of the child’s place of residence). The allowance is available for 10 months of school year from September to June next year. (*not modelled*).

#### 4.1.3. Benefit duration

Family allowance and additional payments to the family allowance are granted for a period of 12 months. The right to benefit is tested once a year. Repeated application is possible.

#### 4.1.4. Means test

In order to be eligible for family allowance and supplements the income criteria should be met. Since 1 November 2015, the average family net income per capita should be below PLN 674 per month (PLN 764 in case of family with disabled children).

Proportional reduction of the amount of family benefits – mechanism “złotówka za złotówkę” (“penny for penny”) was introduced in January 2016. According to this mechanism family which don’t fulfil income criteria can receive family allowance and family allowance supplements reduced by the amount of exceeding the income criterion. Previously, the whole benefit was withdrawn if income exceeded the threshold.

When the amount of family allowance plus supplements for the family determined in accordance with the means-test rule “penny for penny” is less than PLN 20 per month, these benefits are not payable.

#### 4.1.5. Tax treatment

The benefit is not taxable.

#### 4.1.6. *Interaction with other components of the tax-benefit system*

Family benefits are included in the means test for social assistance and housing benefit, except for birth supplement in the latter case.

#### 4.1.7. *Combining benefit receipt and employment/starting a new job*

The condition for granting family allowance is the income criterion not the employment status.

### 4.2. *Family 500 Plus Programme (Program Rodzina 500 Plus, świadczenie wychowawcze)*

Code in the OECD tax-benefit model: [\[FB\\_plus\]](#)

This is a non-contributory benefit, means-tested (for the first child) and not taxable. Introduced on 1 April 2016.

#### 4.2.1. *Eligibility conditions*

Available for parents, actual guardian or legal guardian of a child until the child turns 18.

From 1 October 2017, getting the right to the 500+ benefit by single parent (shall mean an unmarried woman, an unmarried man, a widow, a widower, a person in separation announced by the court, a divorced person, unless they raise at least one child together with the child's parent) depends on the obligation to establish maintenance from the second parent.

#### 4.2.2. *Benefit amount*

The benefit is PLN 500 monthly per child.

#### 4.2.3. *Benefit duration*

Eligibility to this benefit is established for a year (from 1 October to 30 September). Repeated application is possible.

#### 4.2.4. *Means test*

The benefit is means-tested for the first child and universal for all families for every additional child. It will be paid for the first child (first child means the only child or the oldest child in the family up to 18 years old) if the income of the family per family member does not exceed PLN 800 a month (PLN 1 200 if there is a disabled child in the family).

The income criteria for the benefit 500+ for the first child includes parental benefits, benefits from alimony fund, social scholarships and tax credit for child (children).

Since 1 July 2019, the means test is abolished (*not covered in the model as the policy reference date is 1 January 2019*).

#### 4.2.5. *Tax treatment*

Non-taxable.

#### 4.2.6. *Interaction with other components of the tax-benefit system*

The benefit is not included into income when determining eligibility for benefits from other support schemes, in particular social assistance benefits, alimony fund, family benefits, housing benefits, scholarships for students.

#### 4.2.7. *Combining benefit receipt and employment/starting a new job*

Eligibility to the benefit is independent of employment. However, if the income received from work exceeds the income-based criterion, the benefit for the first child is withdrawn.

### 4.3. *Benefit “Good start” (Program “Dobry start”)*

Code in the OECD tax-benefit model: [\[FB\\_start\]](#)

This is a non-contributory benefit, not means-tested and not taxable. The law was introduced on 30 May 2018.

#### 4.3.1. *Eligibility conditions*

It is provided to families with children who are attending school aged from 7 to 20 years old (disabled children are eligible until 24 years old) in connection with the start of a school year.

#### 4.3.2. *Benefit amount*

The benefit is PLN 300 per child, paid one time per year. The benefit is paid in September or within two months after application.

#### 4.3.3. *Benefit duration*

Paid once per year as long as conditions hold.

#### 4.3.4. *Means test*

Not means-tested.

#### 4.3.5. *Tax treatment*

Non-taxable.

#### 4.3.6. *Interaction with other components of the tax-benefit system*

Benefit “Good start” is free of enforcement proceeding, tax free and is not included in the means test entitling to all benefits and supplements.

#### 4.3.7. *Combining benefit receipt and employment/starting a new job*

Eligibility to the benefit is independent of employment.

## 5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **1 January 2019**.

The provision of childcare in Poland is organised by local authorities (*gminas*), and it is structured differently for two age groups.

- Nurseries, kids clubs, daycare providers are for taking care of children under 3 years old.
- Pre-school education is for children between 3 and 6 years old.

From 1 September 2017, all children aged 3-6 are entitled to pre-school education. It is the duty of *gminas* to provide a place in pre-school education facilities for all eligible children whose parents want them to benefit from pre-school education. 6-year-old children are obliged to take annual pre-school preparation in any unit of pre-school education. From the 2016/2017 school year, children at the age of 7 are obliged to attend school.

The model considers childcare costs for children from 1 year old up to 5 years old; children who attend mandatory education (school or pre-school) are outside the scope of the model.

### 5.1. Gross childcare fees

Code in the OECD tax-benefit model: `[PLcc_cost]`

Childcare of children under the age of 3 is the responsibility of *gminas*. The resolution of *gmina* council determines the fees for public childcare institutions as well as conditions of partial or full exemption from fees. Fees for non-public childcare institutions are established by the entities, which manage the institutions. These entities may receive an earmarked grant from the local budget for each child in a nursery, kids club or daycare. These entities may also be supported by ministerial and governmental programmes.

In Warsaw (*this location is assumed in the model*), in institutions of care for children under the age of 3 run by *gmina*, the payment for public entities is based on the resolution of the city council in Warsaw (no. 937/2012, May 31, 2012). Based on this law, parents pay:

- PLN 1.78 per hour in public nurseries and public daycare centers,
- PLN 5.96 daily fee for meals.

In Warsaw, there are several exemptions from fees:

1. Total exemption from paying the child's fee in a nursery run by the Capital City of Warsaw or the day carer if the average net family monthly income per capita (excluding the family 500+ benefit, the benefit "Good start", housing benefit and some other benefits not covered in this report) is not more than 75% of the minimum wage.
2. Partial exemption from fees (50% of the total fee) if the amount of average net family monthly income per capita (excluding same benefits as above) is more than 75% and not more than 100% of the minimum wage.
3. If two children from the same family attend a nursery or other form of care for children under 3, run by the city of Warsaw, then the fee for the 2<sup>nd</sup> (and any subsequent child) is 75% of the total fee.

Since 1 September 2019, in Warsaw, the parents will pay only for the meals in public nurseries. The maximum daily fee for the meals will be 10 PLN. This change will be included in the model in 2020.

The average monthly fees (by voivodships) for stay in institutions of care for children under the age of 3 incurred by parents and municipalities in 2017 are provided in the table below. In the model before 2019, the fees for nurseries in the region of Mazowieckie (which includes the capital Warsaw) were used.

Voivodship	Average monthly fee (PLN)					
	Nurseries			Children's clubs		
	Total	Community	Parents	Total	Community	Parents
dolnośląskie	1 089	754	335	727	252	475
kujawsko-pomorskie	1 013	613	400	835	270	565
lubelskie	935	542	393	528	108	420
lubuskie	938	528	410	725	289	436
łódzkie	1 044	741	303	555	148	407
małopolskie	1 099	494	605	842	380	462
Mazowieckie (includes Warsaw)	1 171	683	488	700	200	500
opolskie	997	601	396	697	218	479
podkarpackie	1 014	683	331	437	107	330
podlaskie	853	440	413	564	110	454
pomorskie	930	473	457	669	93	576
śląskie	1 087	703	384	704	188	516
świętokrzyskie	908	644	264	644	406	238
warmińsko-mazurskie	1 022	608	414	647	122	525
wielkopolskie	1 048	555	493	671	166	505
zachodniopomorskie	1 041	554	487	746	217	529
<b>Poland</b>	<b>1 033</b>	<b>614</b>	<b>419</b>	<b>691</b>	<b>209</b>	<b>482</b>

Source: Implementation of the Act on care for children under the age of 3 in 2017, p. 28.

Children over 3 years of age attend pre-school education. In June 2013, the limit of PLN 1 per hour was introduced for the fee paid by parents beyond 5 compulsory (free) hours. Since 2017, this fee applies only to younger children in pre-school education: from 3 up to the age of 5 years. Public pre-school entities are NOT allowed to charge the parents of 6-year-olds for the stay at child facility. The cost of the stay is therefore small, and some municipalities have given up this payment altogether (e.g. in Warsaw). The region of Warsaw is assumed in the model.

In all pre-school units (i.e. for children 3-6 years old), there is a payment for meals varied according to individual units. Before 2019, a fee of PLN 10 per day (expert estimate, 2015) was included in the model for feeding costs. It was adjusted to 2018 level using CPI. According to the Regulation of the President of the Capital City of Warsaw (No. 189/2019 of 11 February 2019), the amount of the daily fee in Warsaw for meals in pre-school cannot exceed PLN 14. The same limit applied on 1 January 2019. Since 2019, the model applies this maximum limit in the model, as an upper bound.

The local governments receive earmarked grants from the state budget to cover the difference between the real costs of those educational services and the amount paid by parents.

#### *5.1.1. Discounts for part-time usage*

See Section 5.1.

### *5.2. Fee discounts and free provision*

There are no fee discounts for parents in the city of Warsaw.

Gminas receive subsidies from the central government to organize re-school education:

- for every 6-year-old child in 2019, city of Warsaw (gmina) receives an educational subsidy in the amount of PLN 3 669 per year for each child,
- for every 3-5 year old child in 2019, city of Warsaw (gmina) receives a special grant of PLN 1 403 per year for each child.

The subsidies received by local authorities and providers are outside the scope of the model.

### *5.3. Child-care benefits for formal centre-based care*

Code in the OECD tax-benefit model: [\[cc\\_benefit\]](#)

There are no special childcare benefits to parents of children in public kindergartens.

In Warsaw, there is benefit program named "Warsaw Nursery Voucher ". It is a provision of PLN 400 per month per child that partially covers the costs at a non-public facility (in a private nursery, a children's club and a day carer). This support can be given to parents who: live and pay taxes in Warsaw, work, are not on parental leave, meet the income criterion (net per capita family income below PLN 2 883) and whose child is on the waiting list to the public nursery. This programme is not simulated in the model as public childcare is assumed.

### *5.4. Child care allowance for children not using child care centers*

None.

### *5.5. Tax concessions for childcare expenditures*

None.

## **6. In-work benefits**

There are no in-work benefits in Poland.

## **7. Social security contributions and payroll taxes**

### *7.1. Social security contributions by employees (składki na ubezpieczenia społeczne płatne przez pracownika)*

Variable names: [\[SOCSEC\]](#); [\[SSHEALTH\]](#)

Social insurance contributions paid by the employee are listed in the table below:

Scheme	% of wages before taxation
Retirement <sup>5</sup>	9.76
Disability and survivor	1.50
Sickness	2.45
Health	9.00

Furthermore, health insurance contribution is paid by employees as well. The rate of contribution is 9% of wage after deducting social insurance contributions. A portion of health insurance contributions (7.75% of wage after deducting social insurance contribution) are tax deductible.

In the case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 142 950 per year.

Since 1 January 2019, there is a new solidarity contribution on the income of individuals levied at a rate of 4% on annual individual income exceeding PLN 1 million, after the deduction of social security contributions (*not covered by the model*). This solidarity contribution partially funds the Solidarity Support Fund for Disabled Persons (established on 1 January 2019).

## 7.2. Social security contributions by employers (*składki na ubezpieczenia społeczne płatne przez pracodawcę*)

Variable names: **[SSCR]**

Employers contributions and payroll taxes are listed in the table below:

Scheme	% of wages before taxation
<b>Social contributions:</b>	
Retirement <sup>6</sup>	9.76
Disability and survivor	6.50
Accident	0.40 – 3.60
<b>Payroll taxes:</b>	
Labour Fund	2.30
Solidarity Support Fund for Disabled Persons	0.15
Guaranteed Employee Benefit Fund	0.10

Accident contribution of employer varies depending on form of activities, risk category and a number of persons notified to work accident insurance. In the model, the average rate of 1.27% is used.

Employers are exempt from the obligation of paying contributions to the Labour Fund for employed aged at least 55 years for women and at least 60 years for men. (*not modelled*)

<sup>5</sup> 3.65 percentage points of the retirement contribution are treated as non-tax compulsory payments.

<sup>6</sup> 3.65 percentage points of the retirement contribution are treated as non-tax compulsory payments.

## 8. Taxes

Personal income tax in Poland is an individual system, but couples (as well as single parents), can file a joint tax return. In case of joint filing, the tax is levied on the average taxable income, and then the tax dues are multiplied by two. This can lower the tax liability if the two persons individually would fall into different income brackets. In the model, joint taxation is assumed.

### 8.1. Personal income tax (*podatek dochodowy*)

Code in the OECD tax-benefit model: [\[IT\]](#)

#### 8.1.1. Tax allowances

**Allowance for work related expenses:** standard deductions depend on the number of workplaces and on whether dwelling place and work place are within the same town/city or not. On 1 January 2019 it is:

Annual deductible amounts (PLN per year)		
	one workplace	two/more workplaces
same as dwelling place	1 335.00	2 002.05
different from dwelling place	1 668.72	2 502.56

Since 1 October 2019 the amounts change (*this is not included in the model as the policy reference date is 1 January 2019*):

Annual deductible amounts (PLN per year)		
	one workplace	two/more workplaces
same as dwelling place	3 000.00	4 500.00
different from dwelling place	3 600.00	5 400.00

In the model, one workplace (same as dwelling place) is assumed.

#### 8.1.2. Tax base

The tax base is defined as gross income minus social security (in case of workers) and the 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, childcare benefits and social assistance benefits).

#### 8.1.3. Income tax schedule

The tax rates on 1 January 2019 are:

Tax base (PLN per year)		Tax amount	
Over	Below		
0	85 528	18% of the tax base	
85 528		PLN 15 395.04 + 32% of surplus over PLN 85 528	less basic tax credit

Since 1 October 2019 the tax rates are (*this is not included in the model as the policy reference date is 1 January 2019*):

Tax base (PLN per year)		Tax amount	
Over	Below		
0	85 528	17% of the tax base	
85 528		PLN 14 539.76 + 32% of surplus over PLN 85 528	less basic tax credit

Since 1 August 2019, young people under 26 year old with gross wages up to PLN 85 528 are exempt from income tax.

#### 8.1.4. Tax credits

The **basic tax credit** on 1 January 2019 is calculated as following:

Tax base (PLN per year)		Tax credit	
Over	Below		
0	8 000	PLN 1 440	
8 000	13 000	PLN 1 440 reduced by : $[\text{PLN } 883.98 \times (\text{Tax base} - \text{PLN } 8\,000) \div \text{PLN } 5\,000]$	
13 000	85 528	PLN 556.02	
85 528	127 000	PLN 556.02 reduced by : $[\text{PLN } 556.02 \times (\text{Tax base} - \text{PLN } 85\,528) \div \text{PLN } 41\,472]$	

Since 1 October 2019, the calculations change (*this is not included in the model as the policy reference date is 1 January 2019*):

Tax base (PLN per year)		Tax credit	
Over	Below		
0	8 000	PLN 1 360	
8 000	13 000	PLN 1 360 reduced by : $[\text{PLN } 834.88 \times (\text{Tax base} - \text{PLN } 8\,000) \div \text{PLN } 5\,000]$	
13 000	85 528	PLN 525.12	
85 528	127 000	PLN 525.12 reduced by : $[\text{PLN } 525.12 \times (\text{Tax base} - \text{PLN } 85\,528) \div \text{PLN } 41\,472]$	

The basic tax credit is non-refundable.

**Tax credit for health insurance contributions:** A tax credit is provided that almost equals health insurance contribution paid to the National Health Fund. The contribution is 9% of the basis, the tax credit is no more than 7.75% of the basis.

#### **Tax credit for children:**

A taxpayer can deduct from the due tax the following amounts (annual) for each child:

- PLN 1 112.04 for the first child if the income received by parents (married or single parent, who meets special requirements) doesn't exceed in the tax year the amount of PLN 112 000, for other parent the threshold of income is PLN 56 000;
- PLN 1 112.04 for the second child;
- PLN 2 000.04 for the third child;
- PLN 2 700 for the fourth and every next child.

Since 2015, taxpayers whose due tax is lower than the amount of relief for children, may claim for cash refund for the amount of relief which has not been utilized. However, child tax relief, in such a case, cannot exceed the sum of:

- social security contributions (settled by the taxpayer in the tax return);
- health contributions (settled by the taxpayer in the tax return).

If the taxpayer does not pay social security contributions or health contributions, or they are not charged by the payer - the return of relief will not be possible.

## 9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Poland 2019 (Figure 1). TaxBEN by default produces the following output: net household incomes (**black line**) and its subcomponents (**coloured stacked areas**) for selected family and individual circumstances.

The model and the related web calculator is accessible from the [project website](#). Figure 1 shows outputs for four scenarios:

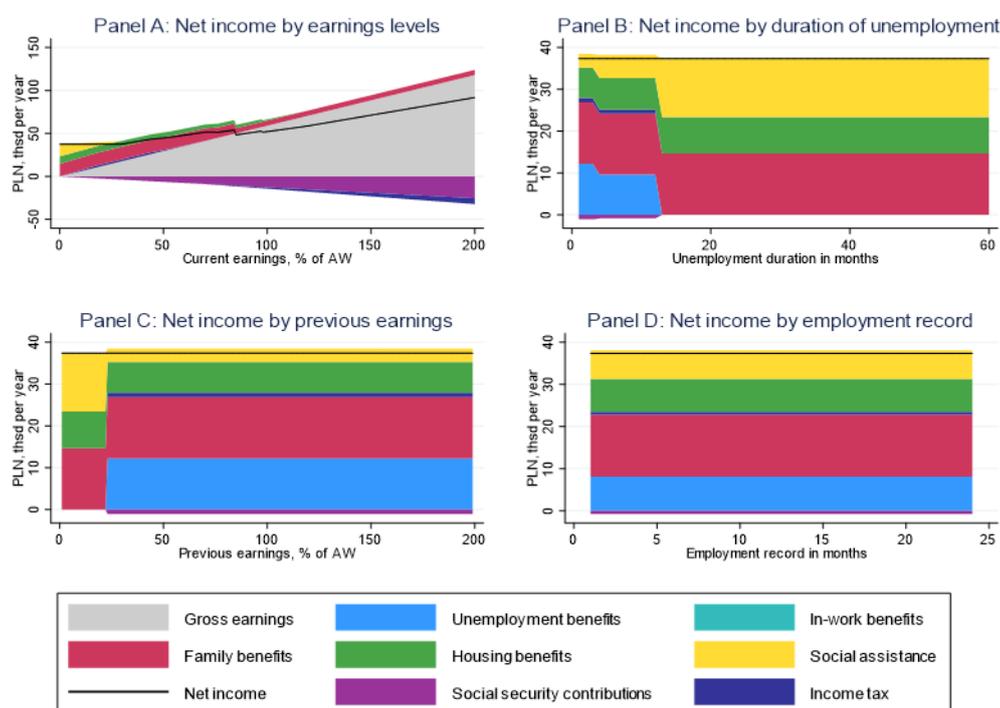
- By percentage of the average wage (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record, for a jobseeker claiming unemployment benefits (**Panel D**).

The stacked areas shows the following household income components: **GROSS** = gross earnings; **SSC** = social security contributions; **IT** = income tax; **FB** = family benefits; **HB** = housing benefits; **SA** = social assistance; **IW** = in-work benefits. Note that each component may contain more than one benefit or tax.

Results in Figure 1 refer to a two-adult family with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

**Figure 1. Selected output from the OECD tax-benefit model**

Two-adult couple with two children.



*Notes:* In Panel A, the first adult is employed full-time and full-year. The second adult is out of work and not eligible for unemployment benefits, e.g. because they have expired (the same is assumed for the first adult when earnings are zero). In Panels B to D, the first adult is out of work and claiming unemployment benefits, whereas the second adult is out of work and not eligible to unemployment benefits. Previous earnings of the first adult equal to the Average Wage. In Panels B and C, the first adult is assumed to have a 'long' employment record of 264 consecutive months before the job loss. Panels C and D refer to the 2nd month of unemployment benefit receipt.

*Source:* Calculations based on the OECD tax-benefit model.

## Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Poland that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

### *Pre-retirement benefit (świadczenie przedemerytalne)*

The pre-retirement allowance can be granted to a woman (at least 55/56 years old) or a man (60/61 years old) who had lost his/her job due to certain circumstances, who meet certain insurance record requirements and who was registered as unemployed for at least 6 months and was receiving the unemployment benefit for at least 180 days. The benefit amounts to PLN 1 040 (1 March 2017 – 28 February 2018). Since 1 March 2018 – PLN 1 071.

The pre-retirement benefit is reduced, if the personal income exceeds 70% of the average remuneration for the calendar quarter, announced by the Central Statistical Office.

### *Permanent benefit (zasilek stały)*

Permanent benefit is an obligatory allowance, granted to persons incapable of working, due to her/his age (60 for women and 65 for men) or disability, provided that her/his income does not exceed the income criterion. The maximum benefit is PLN 645; the minimum benefit PLN 30 per month. Not taxable.

### *Purpose benefit (zasilek celowy)*

Purpose benefit may be granted in particularly cases (e.g. for coverage the costs of food, medicines and treatment, fuel, clothing, necessary household items, small renovations and repairs in the apartment, as well as funeral costs). This kind of support may be granted (as special purpose benefit) even to persons or families who fail to meet the income criterion but who need support from social assistance. Not taxable.

### *Social pension (renta socjalna)*

Social pension is paid by the Social Insurance Institution to adult persons due to inability to work that occurred in childhood (before 18 years old) or during studies. The amount of social pension equals to 100% of minimum disability pension: since 1 June 2018 it is PLN 1029.80 per month. Social pensions are subject to personal income tax and health care contributions.

### *Birth grant (“Becikowe”)*

A single payment in the amount of PLN 1 000 in case of a child birth. The birth grant is granted if the average monthly net income per capita (after deducting the social insurance contribution, income tax and general health insurance contribution) does not exceed PLN 1 922.

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***Parental benefit (Świadczenie rodzicielskie)***

This parental benefit is provided to families in which a child is born but whose members do not receive a benefit or maternity emolument: e.g. students, unemployed, etc. The parental benefit is granted regardless of income in the amount of PLN 1 000 a month for 52 weeks (after giving birth to one child) up to 71 weeks (after giving birth to five or more children in one labour). The parental benefit is treated as “income” in the means test.

***Benefits from the alimony fund (świadczenie z funduszu alimentacyjnego)***

Benefits from the alimony fund are granted to entitled person until he reaches 18 years or 25 if still in education or for an unlimited duration in case of child with certified significant disability. The family net income per capita should not exceed PLN 725 (from the new benefit period beginning on 1 October 2019 will be increased to PLN 800). The benefit equals an amount of alimony awarded by court but it cannot exceed PLN 500 per month. It is not allowed to combine the supplementary family allowance for single parents and the benefits from maintenance fund. The first one is dedicated to single mother or father, actual guardian of the child or to the legal guardian if maintenance payments were not awarded for the child from the other parent because:

- the other parent is dead;
- the father of the child is unknown;
- maintenance payments lawsuit against the other parent was dismissed.