

THE OECD TAX-BENEFIT DATABASE

Description of policy rules for
Poland 2021



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Description of policy rules for 2021

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Preface

This report provides a detailed description of the tax and benefit rules in Poland as they apply to working-age individuals and their dependent children. It also includes output from the [OECD Tax-Benefit model \(TaxBEN\)](#), which puts all these complex legal rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the net disposable income of families in different labour market circumstances, e.g. in employment versus unemployment.

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are outside the scope of the **TaxBEN** model.

TaxBEN is essentially a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families (“vignettes”), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click [here](#) for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leaves benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)



[TaxBEN web calculator](#)



[Methodology and user guide](#)



[OECD tax-benefit data portal](#)



[Network of national experts](#)

Guidelines for updating this report (for national experts)



[General guidelines](#)

Detailed [guidelines for updating Section 5](#) “Net costs for Early Childhood Education and Care”

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **1 January 2021**.
- The symbol  in the text provides a link to the 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.
- **TaxBEN** variables are indicated in the text using the format **[variable name]**.
- COVID-related measures are provided in **blue font**.
- Sickness benefits and Short-time work schemes described in Sections 9 and 10 are not included in the model.

The OECD tax-benefit model for Poland: Policy rules in 2021

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](#))¹. If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth² to the latest available wage estimate.

The minimum wage [**MIN**] in 2021 is PLN 2 800 per month. The annual minimum wage is computed by multiplying the minimum monthly wage (as of 1 January 2021) by 12, i.e. PLN 2 800 * 12 = PLN 33 600.

2. Unemployment benefits

2.1. Unemployment benefit (*Zasilek dla bezrobotnych*)

Code in the OECD tax-benefit model:³ [**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

¹ 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](#).

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

³ 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.

no proposals of suitable work (or similar). TaxBEN assumes that these compulsory conditions are satisfied when simulating unemployment benefits.⁴

2.1.2. *Benefit amount*

The monthly level of unemployment benefit is PLN 1 200 in the first 90 days (approx. 3 months) and PLN 942.30 afterwards (since 1 September 2020).

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. Since 1 October 2019, tax rate is 17% of the gross benefit (higher rate may apply if a person has other taxable income, see Section 0. It is also subject to

⁴ 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 \(2011\)](#).

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 * 17% - 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 2 800 in 2021.

Activation allowance (*Dodatek aktywizacyjny*)

If a unemployed person finds a job before exhausting the unemployment benefit, the unemployed can receive an activation allowance⁵. This is a standalone benefit, whose eligibility depends on previous entitlement to the unemployment benefit. The unemployed is eligible to the activation allowance if he or she:

- took up a part-time job in a given occupation of service as a result of referral by a poviats labour office, and receives remuneration that is lower than the minimum remuneration. The activation allowance is the difference between the minimum remuneration for work (PLN 2 800) and remuneration derived from the new job, but not more than 50% of the received unemployment benefit, for the period in which the unemployed person would be entitled to the unemployment benefit. (*not modelled*)
- took up employment or other gainful work out of own initiative. The activation allowance is 50% of the received unemployment benefit for half the period in which the unemployed person would have been entitled to the unemployment benefit.

The activation allowance cannot be received in case of public works, employment with the previous employer or an employment abroad or in any case when unemployed person is referred to work subsidized by local labour office.

⁵ Activation allowance was introduced in Act on Employment Promotion and Labour Market Institutions on 20 April 2004. In October 2007, the amount of the benefit in case a person found a job on their own initiative increased from 30% to 50% of the unemployment benefit.

In case of hiring the unemployed up to 30 years old, referred by the poviát 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*)

2.2. Solidarity allowance (Dodatek solidarnościowy)

This is a new temporary benefit introduced due to Covid-19. The benefit was in force from 1 June 2020 to 31 August 2020 . This is an unemployment assistance benefit. It is not contributory, not means-tested and not taxable. The benefit is not included in the model as it is not in force of 1 January 2021.

2.2.1. Eligibility conditions

This new, temporary benefit may be applied for by persons with whom the employer has terminated their employment contract by notice after 15 March 2020 or their employment contract for a fixed period expired after that date. The other condition for receiving the solidarity allowance is that a person has paid social insurance contributions under the employment contract for a total period of at least 60 days in 2020.

The benefit is also available to unemployed persons already registered in the labour office. In such a situation the labour office will suspend the unemployment benefit paid so far.

2.2.2. Benefit amount

The solidarity allowance is PLN 1400 per month.

2.2.3. Benefit duration

It is payable from 1 June to 31 August 2020. It can be received at the earliest for the month in which the entitled person submitted the application. A person can receive the benefit for maximum three months.

2.2.4. Means test

The benefit is not means-tested.

2.2.5. Tax treatment

The benefit is not taxable, but it is subject to social contributions (financed from the state budget). Pension, disability pension and health contributions are calculated on the amount of the solidarity allowance, but they are not deducted from the allowance.

Interactions with other components of the tax-benefit system

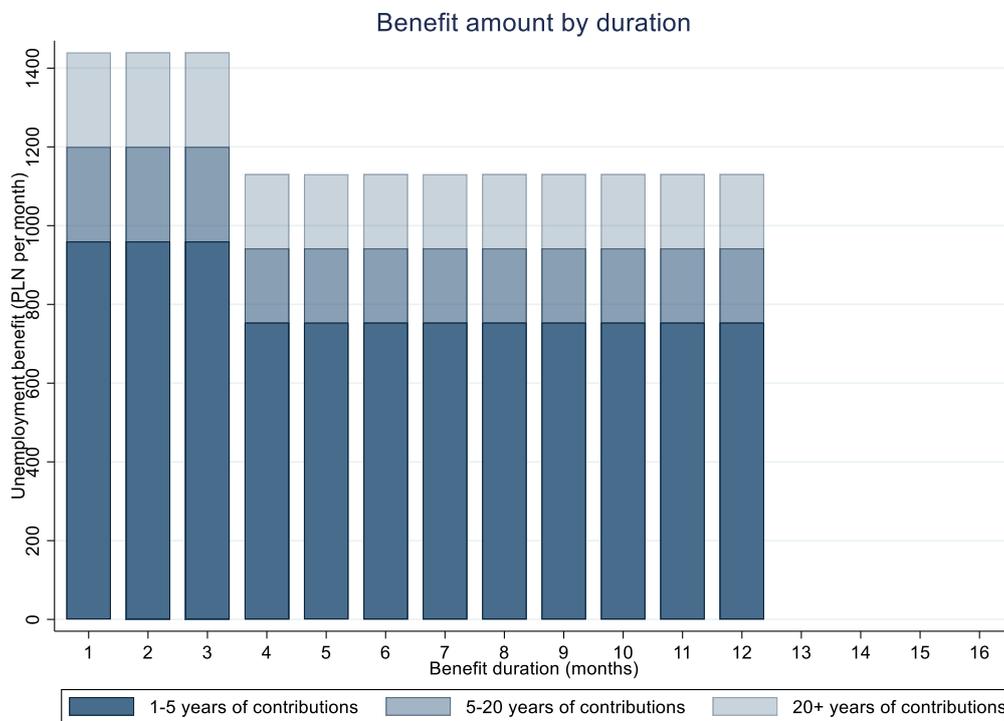
Unemployment benefit is included in the means test for family benefits, housing and social assistance benefits (covered in this report).

Combining benefit receipt and employment/starting a new job

The benefit can't be combined with work.

Figure 1. Unemployment benefit

40-year old single person without children



Note: Benefit amount does not depend on family structure or previous earnings, but it increases with contribution record (shaded areas on the top of the dark bars show the top-ups for long contribution record). If the contribution record is less than one year a person is not eligible to unemployment benefit. Benefit duration is assumed to be one year (i.e. a more generous case).

Source: OECD Tax-Benefit Model.

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 (*dodatki mieszkaniowe*) is described in Section 0

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 in particular:

- poverty
- orphanhood (*not modelled*)
- homelessness (*not modelled*)
- unemployment
- long term illness (*not modelled*)
- disability⁶ (*not modelled*)
- other (*not modelled*).

The first three conditions apply to recipients of social assistance in general.

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.

⁶ People with disability are also eligible to Permanent benefit (see description in the Annex).

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*

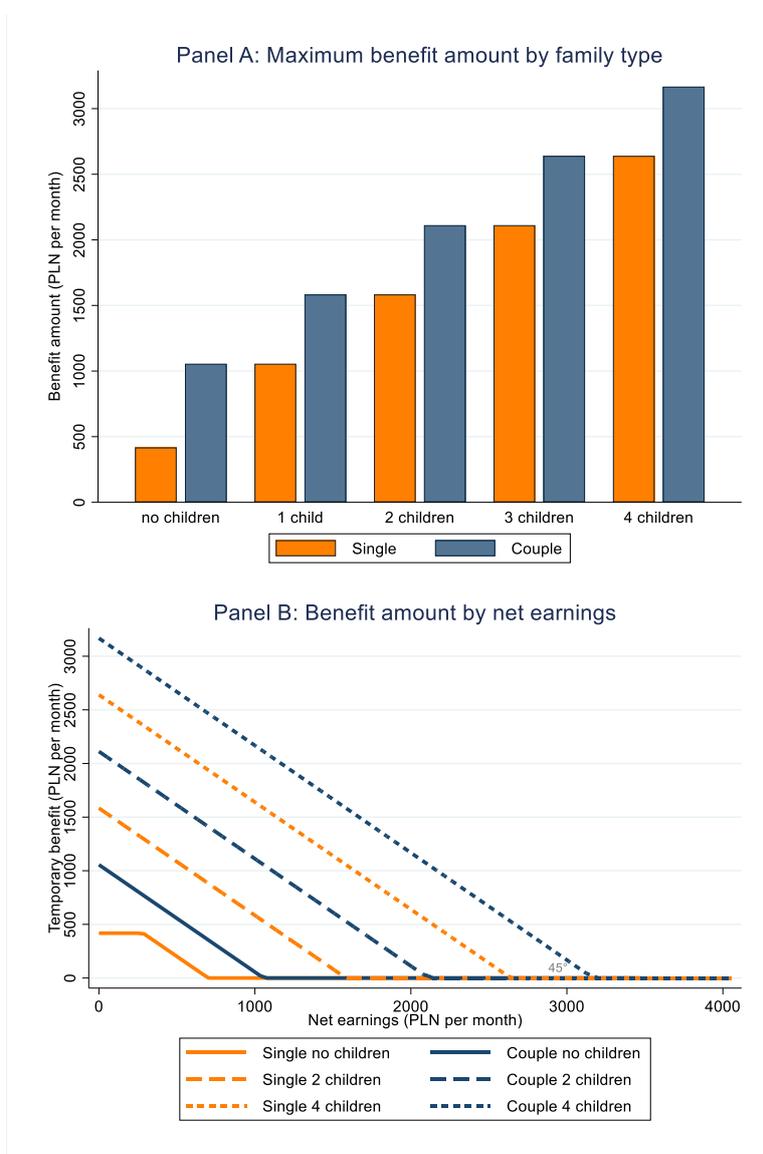
The temporary benefit is not included into the calculation of the income for the purpose for other income-tested benefits described here and included into this tax-benefit model (i.e. housing benefit, family allowances and supplements, child-support benefit 500+).

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*).

Figure 2. Temporary social assistance benefit

40-year old single person and couple with or without children



Note: Results assume no receipt of family benefits, housing benefits as well as other benefits, which are usually included in the means test for temporary benefit. Panel A shows maximum temporary benefit amount for a jobless family with no income. Panel B shows the reduction in benefit amount as one adult starts working. Horizontal axis shows net earnings, which are considered in the means test for temporary benefit. The benefit decreases by 1 PLN for every net PLN earned (i.e. the slope of all lines is 45°). There is a maximum limit on the benefit amount for a single person, which is shown by a horizontal fragment of the solid orange line.

Source: OECD Tax-Benefit Model.

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 m² – one person (max. to 45,50 m²)
- 40 m² – two people (max. to 52,00 m²)
- 45 m² – three people (max. to 58,50 m²)
- 55 m² – four people (max. to 71,50 m²)
- 65 m² – five people (max. to 84,50 m²)
- 70 m² – six people (max. to 91,00 m²)
- each additional person – 5 m² (15 m² 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	
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 36m² house paying PLN 360 per month would have a cost per metre of PLN 10. PLN 10 times the expected house size (35m²) 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.

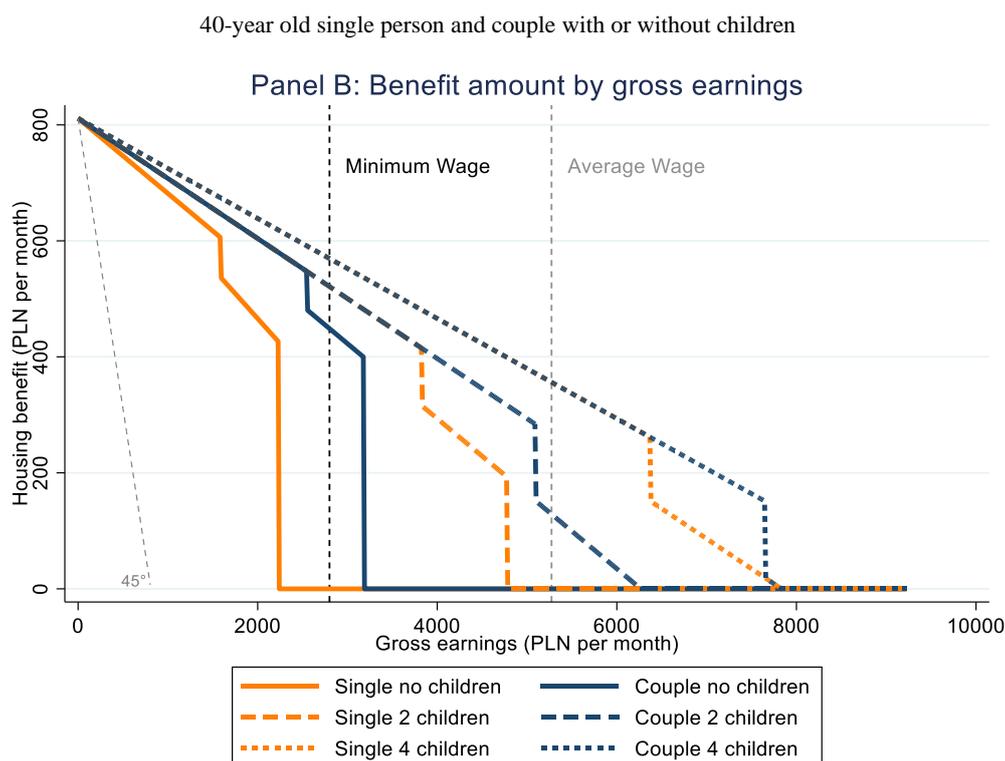
3.2.6. Interaction with other components of the tax-benefit system

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).

Figure 3. Housing benefit



Note: Results assume no receipt of family benefits as well as other benefits, which are usually included in the means test for housing benefit. Families are assumed to have accommodation exceeding the allowed size limits by 30% (maximum possible excess). Families pay a rent, assumed to be 20% of average wage for all family types. Thus, the maximum amount of housing benefit for a jobless family is the same for all family types. Gross earnings are used in the means test. The figure shows reduction in benefit amounts as gross earnings increase. Reduction rates are lower for larger families with lower income per capita. 45° line shows how the housing benefit would decrease if it would have been reduced by 1 PLN for every gross PLN earned.

Source: OECD Tax-Benefit Model.

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_lone]** – 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_lgf]** – for the third and each next child PLN 95 per child per month.
- **Allowance at beginning of the school year** **[FB_sch]** – 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). This benefit is paid to parents on parental leave, which means that a parent is formally employed, but does not go to work because of being on parental leave. (*not modelled*)
- **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). Allowance for work related expenses (see Section 8.1. should be subtracted from the income before the means test.

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, not means-tested (as of July 2019) 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.

The benefit may also be provided to foster families, parental care centres and family children's homes, for each child, on the basis of the Act on family support and the foster care system. As of 1 July 2019 the benefit is granted to every child from foster care.

4.2.2. Benefit amount

The benefit is PLN 500 monthly per child.

4.2.3. Benefit duration

Usually, the eligibility to this benefit is established for a year. Currently the benefit period is extended from 1 October 2019 up to 31 May 2021 (previously the benefit period was

from 1 October to 30 September, from 2021 it will be from 1 June to 31 May). Repeated application is possible.

4.2.4. *Means test*

Since 1 July 2019, the benefit is not means-tested. Up to 30 June 2019 the benefit was means-tested for the first child (i.e. the only child or the oldest child in the family up to 18 years old) and universal for all families for every additional child. Currently the benefit is universal for all families for every child.

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.

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 and came into force 1 June 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 depending on the date of submission of the application, by the end of September (if application was submitted in July or August) or within two months after application (if application was submitted in September, October or November). The application can be submitted only until the end of November.

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 

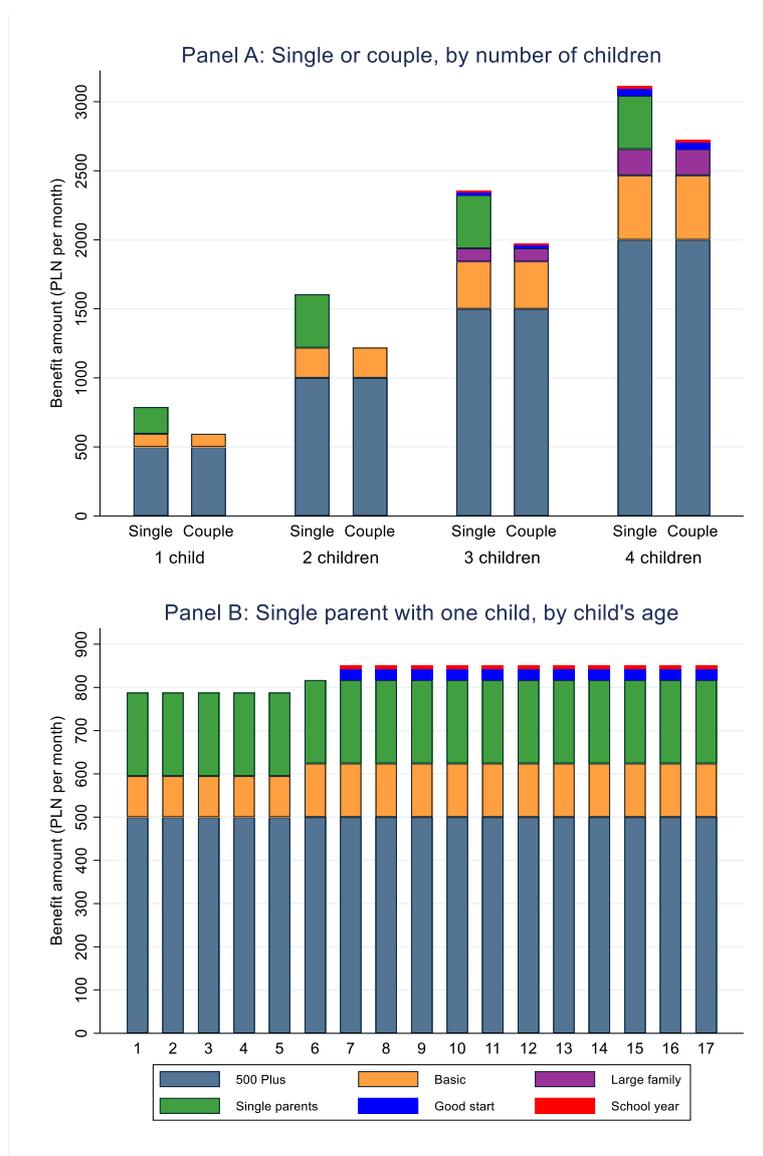
Benefit “Good start” is free of enforcement proceeding, tax free and is not included in the means test entitling to all benefits and supplements.

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

Eligibility to the benefit is independent of employment.

Figure 4. Maximum amounts of family benefits

40-year old single person or couple with children



Note: The figure shows maximum family benefit amounts for a jobless family with no income. Allowance at the beginning of the school year and benefit “Good start” are paid only once per year. The figure shows 1/12 of the annual amount of these benefits. In Panel A, children’s ages are 4, 6, 8, and 10. In Panel B, child’s age varies from 1 to 17 years old. The amount of the benefit corresponds to the month when a person has just turned 1, 2, ... 17 years old.

Source: OECD Tax-Benefit Model.

Figure 5. Family benefits by earnings

40-year old single person or couple with children



Note: The figure shows the total amount of family benefits (basic family allowance, allowance for single parent, large family, beginning of the school year, childcare allowance, benefits “500 Plus” and “Good start”) and how they are reduced if one adult starts working. The family receives only earnings from work and family benefits. Allowance at the beginning of the school year and benefit “Good start” are paid only once per year. The figure shows 1/12 of the annual amount of these benefits. The amounts of family benefits “500 Plus” and “Good start” do not depend on earnings. Other benefits are reduced gradually to zero as earnings increase. Children’s ages are 4, 6, 8, and 10 years old.

Source: OECD Tax-Benefit Model.

5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **1 January 2021**.

The provision of Early Childhood Education and Care (ECEC) in Poland is organised by local authorities (*gminas*) or private entities (*public childcare providers are assumed in the model and described in this Section*). ECEC 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 provider. These entities may also be supported by ministerial and governmental programmes.

In Warsaw (*this location is assumed in the model*), since 1 September 2019, the parents pay only for the meals in public nurseries. The maximum daily fee for the meals is PLN 15.⁷ The average daily price in Warsaw is about PLN 9.76 (this estimate is used in the model).

In 2020, the average monthly fees per child in institutions of care for children under the age of 3 incurred by parents are: PLN 300 in public nurseries and in kids clubs, PLN 760 in private nurseries, PLN 720 in private kids club, PLN 1 000 in daycare.

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. According to the Regulation of the President of the Capital

⁷ Resolution of the city council of Warsaw No. XXII/607/2019, November 29, 2019.

City of Warsaw (No. 1302/2017 of 3 August 2017), the amount of the daily fee in Warsaw for meals in pre-school cannot exceed PLN 14.

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 pre-school education:

- for every 6-year-old child in 2020, 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 2020, 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.

In case of unforeseen closure of a nursery, kindergarten or school, which the child attends, general care allowance is granted to a working parent (insured for sickness) from the Social Insurance Fund. Children under the age of 8 are eligible. Allowance is 80% of the reference wage. This allowance can be used in case the child is sick or being under quarantine. The duration of the allowance is 60 days per year. If both parents work, only one of them can apply for childcare allowance, but sharing days within the limit is possible.

In 2020, during the Covid-19 crisis, additional care allowance was available from March 12 up to March 25, from March 26 to July 26, from September 1 to September 20 and from November 9 to December 24. The additional allowance was covered from the Social Insurance Fund (i.e. not by the employer). From March 31, parents of disabled children older than 8 years old became also eligible. Additional care benefit was also granted for persons looking after disabled adults.

Parents were eligible in case nursery, kindergarten, school or children's club was closed because of COVID-19 or in case of inability to provide care through such childcare facility due to temporary restriction in connection with COVID-19 (e.g. social distancing restrictions limiting the number of children allowed in facilities).

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

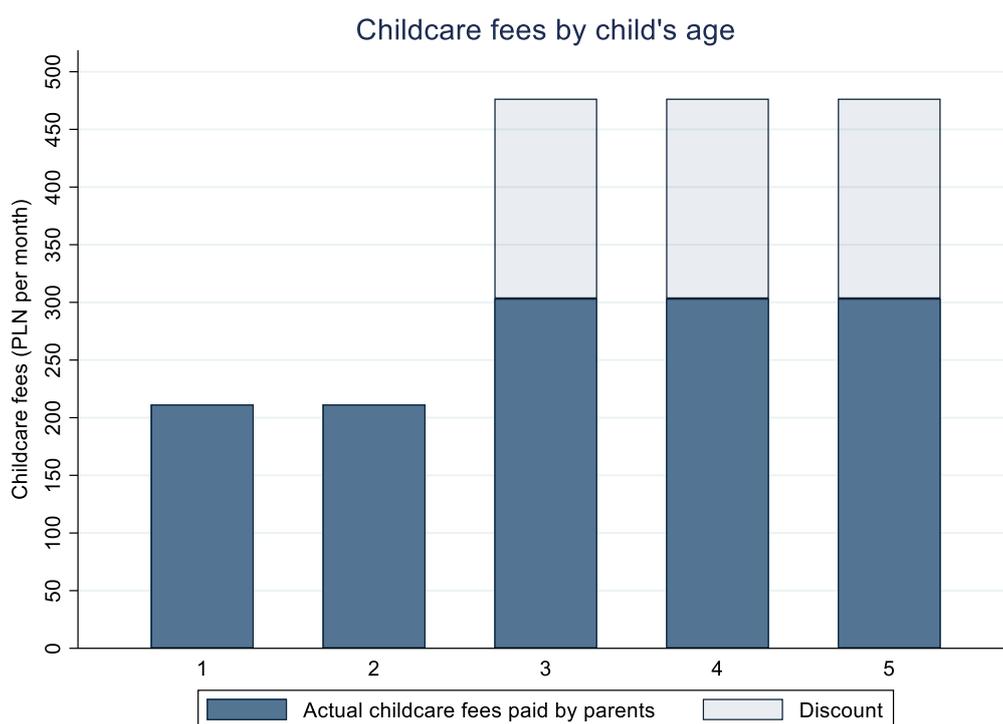
None.

5.5. Tax concessions for childcare expenditures

None.

Figure 6. Childcare fees paid by parents

40-year old single person or couple with one child



Note: Results assume that a family resides in Warsaw. Both parents are working full time and use public childcare for the full day. Childcare fees do not depend on family income or family structure, but they depend on child's age. A child under the age of 3 attends public nursery and a child from 3 to 5 years old attends public pre-school. A discount for children 3-5 years old reflects the fact that Warsaw municipality does not charge a fee for pre-school attendance (1 PLN per day) and charges only a fee for meals.

Source: OECD Tax-Benefit Model.

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 ⁸	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 157 770 per year.

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

Variable names: **[SSCR]**

Employers contributions are listed in the table below:

Scheme	% of wages before taxation
Social contributions:	
Retirement ⁹	9.76
Disability and survivor	6.50
Accident	0.67 – 3.33
Payroll taxes:	
Labour Fund	1.00
Solidarity Fund	1.45
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 1.20% is used.

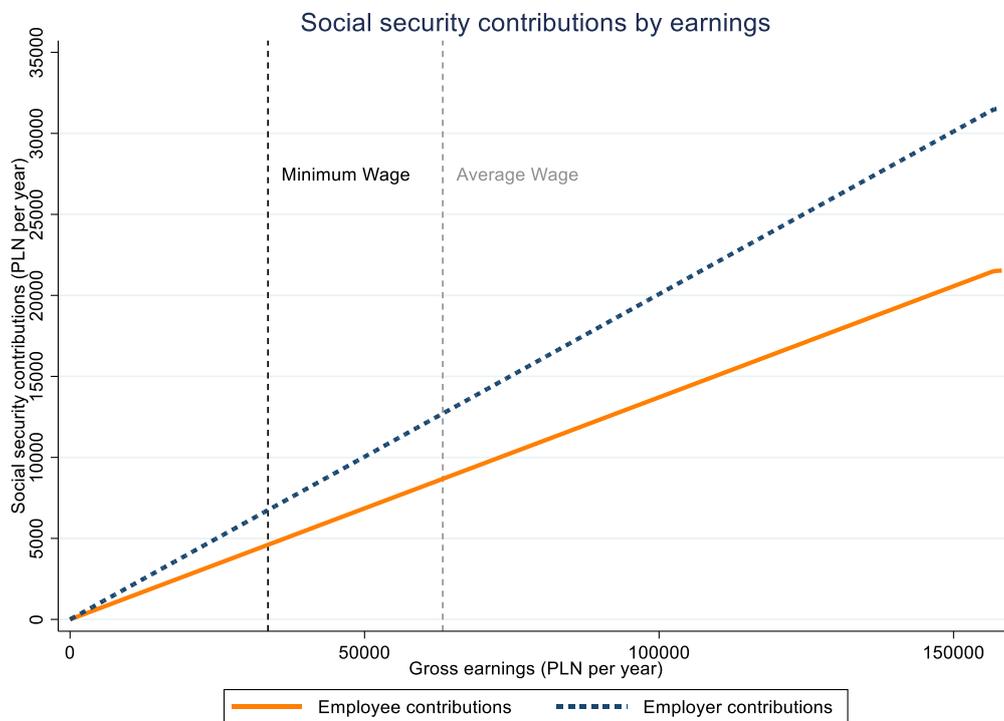
Employers are exempt from the obligation of paying contributions to the Labour Fund for employed aged at least 55 years for women and at least 60 years for men. (*not modelled*)

⁸ 3.65 percentage points of the retirement contribution are treated as non-tax compulsory payments.

⁹ 3.65 percentage points of the retirement contribution are treated as non-tax compulsory payments.

Figure 7. Social security contributions

40-year old single person without children



Note: Social security contributions are paid on individual earnings and do not depend on family structure. Non-tax compulsory payments and payroll taxes are included in the calculations.

Source: OECD Tax-Benefit Model.

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.

When filing a joint tax return the following steps are taken:

- Settle the loss, tax deductible costs, social security contributions and reliefs deducted from taxable income of each spouse separately.
- Add up the tax bases (i.e. taxable income minus reliefs mentioned above).
- Divide the sum by two.
- On this amount the tax is calculated applying the progressive tax schedule.
- The calculated tax is multiplied by two.
- The tax credits to which each spouse is entitled are deducted from the calculated tax.

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. Since 1 October 2019, the deductions are:

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*

Since 1 October 2019, the tax rates are:

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

As of 1 August 2019 the government introduced the so called “PIT Zero” for young adults under the age of 26. It provides full exempt of income tax for wages coming from either

standard employment contracts or non-standard civil contracts, unless the gross earnings surpasses the threshold of PLN 85 528 per year. If the tax base exceeds the threshold, the excess is taxed with the tax rate of the first tax bracket (i.e. 17%). It is important to note however that various benefits, like unemployment benefits, are still subjected to taxation.

8.1.4. Tax credits

Since 1 October 2019, the **basic tax credit** is calculated as following:

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 : $[\text{PLN } 525.12 \times (\text{Tax base} - \text{PLN } 85\,528) \div \text{PLN } 41\,472]$

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.

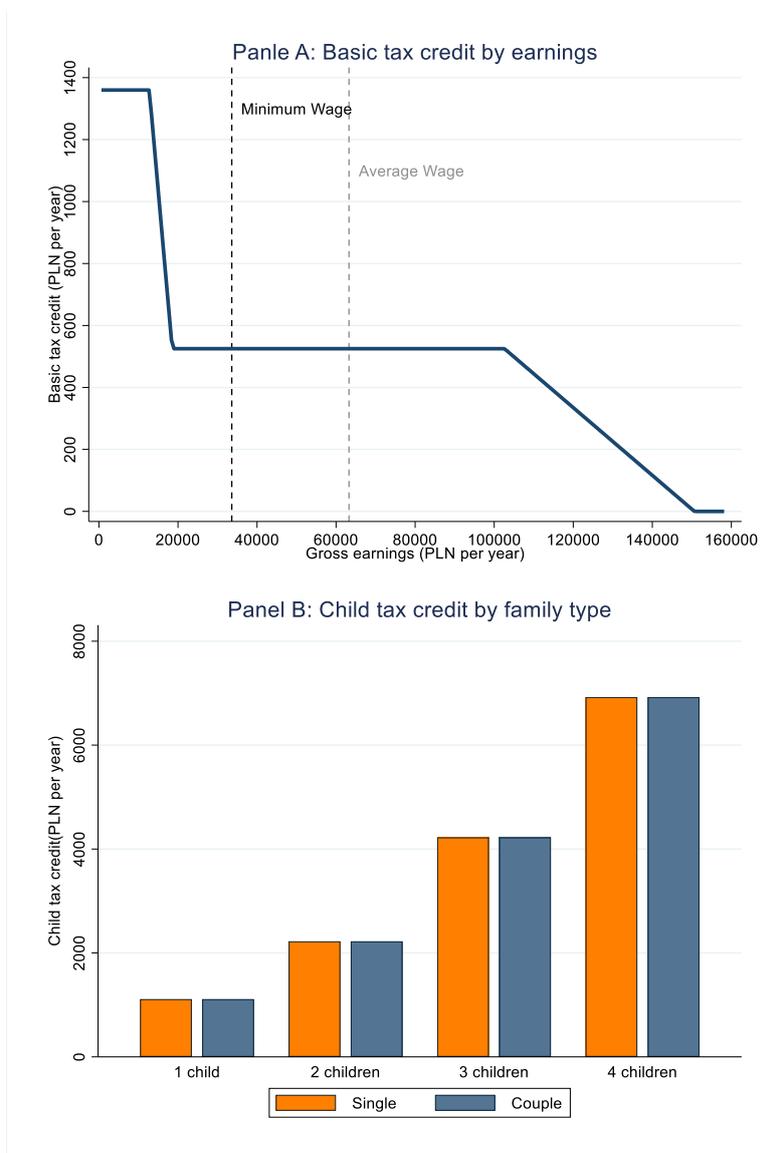
Since 2015, taxpayers whose due tax is lower than the amount of relief for children, may claim for cash refund for the amount of relief which has not been utilized. However, child tax relief, in such a case, cannot exceed the sum of:

- 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.

Figure 8. Maximum amounts of tax credits

40-year old single or couple with or without children

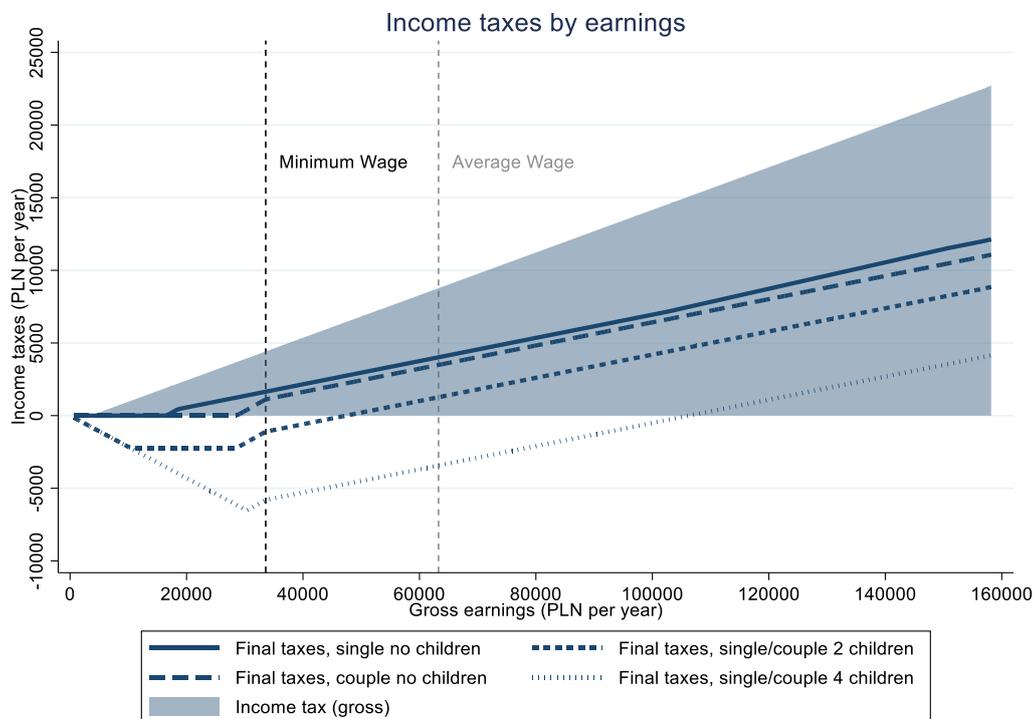


Note: The figure shows the maximum amounts of basic and child tax credits that a person is eligible to. The actual amounts that a person can use to reduce tax liability might be lower if taxable income is low. In Panel A, basic tax credit does not depend on the number of children, but a couple or a single parent are eligible to double amount of the tax credit. In Panel B, child tax credit does not depend on earnings. The amount of child tax allowance depends on the number of children, but it does not depend on whether a person is single or married. Families are eligible to child tax credit for one child only if they satisfy the income criteria (assumed in this figure).

Source: OECD Tax-Benefit Model.

Figure 9. Income tax

40-year old single or couple with or without children



Note: Joint income taxation is assumed. A family has no other sources of income but earnings from work. Gross taxes are taxes before tax credits. Final taxes are total taxes after subtraction of tax credits (basic tax credit, tax credit for children, and tax credit for health insurance contributions). Negative final income tax for families with children shows the refundable part of the child tax credit.

Source: OECD Tax-Benefit Model.

9. Sickness benefits

9.1. Sickness Allowance (*Zasilek chorobowy*)

Sickness allowance is a compulsory social insurance contribution-based scheme for employees, it is not means-tested and taxable. Sickness allowance is provided by the state to employees in case of incapacity for work certified by a doctor or isolation required due to quarantine certified by a sanitary-epidemiological station. Apart from the sickness allowance, the employer also has obligations to continue paying wages in the beginning of the sickness period. These payments are described in Section 9.2.

Caring benefit (*Zasilek opiekuńczy*), paid to employees who are unable to work in order to look after a child or to care for a sick child, is not covered in this section.

9.1.1. Entitlement and eligibility conditions

Sickness benefit is granted to a person if social insurance contributions for sickness have been made for an uninterrupted period of 30 calendar days before the sickness occurred. Incapacity to work due to sickness has to be certified by a doctor from the first day of illness.

From 7 April 2020, due to Covid-19, an allowance amounting to 50% of the minimum wage was introduced for farmers and their household members during the period in which they are subject to quarantine or hospitalisation. If economic activity was stopped due to coronavirus a self-employed became eligible to sickness allowance too. This policy is in force on 1 January 2021.

9.1.2. Benefit amounts

Sickness allowance is:

- 100% of the reference wage per month for illness occurring during pregnancy, a travel accident between home and work, or for absence from work due to the donation of tissue or organs to another person (*not covered by the model*);
- 70% of reference wage per month in event of hospitalisation (*not covered by the model*);
- 80% of reference wage per month in all other circumstances.

The reference wage is calculated based on gross earnings during the 12 months preceding the cessation of work for which contributions were paid. There is no ceiling in case of compulsory insurance. The payment is monthly. The amount of the benefit does not change over time. There are no additional amounts for dependants.

9.1.3. Benefit duration

There is no waiting period. The sickness allowance for a particular sickness can be paid for a maximum of 182 days counting from the first day of sickness (270 days in the case of tuberculosis and pregnancy). The payment of sickness allowance continues after the onset of unemployment if the incapacity for work started prior to becoming unemployed.

9.1.4. Means test

The benefit is not means-tested.

9.1.5. *Tax treatment*

Sickness allowance is included in the personal income tax base. Sickness benefit recipients do not pay social contributions.

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

Sickness allowance is included in means tests for other types of benefits.

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

The benefit is not compatible with earnings from work. Partial sickness benefit does not exist.

9.2. *Employee's sick pay (Wynagrodzenie chorobowe pracownika)*

The employer has to continue paying wages to employees for a part of the sickness period certified by a doctor or isolation required due to quarantine certified by sanitary-epidemiological station. Sickness allowance provided by the state is described in Section 9.1.

9.2.1. *Entitlement and eligibility conditions*

A worker is eligible for payment if he or she didn't have a break greater than 30 days between previous and current employment. If this condition is met then he/she is eligible for the payment since the first day of work. If the break was longer than 30 days then the eligibility for benefit starts after 30 days of work.

In case of first employment, the worker who took work within 90 days of finishing education is eligible for the benefit since the first day of work. If the worker took more than 90 days to find a job, then eligibility for the benefit starts after 30 days of work.

9.2.2. *Benefit amounts*

The continued payment of wages by employer amounts to:

- 80% of the reference wage per month (labour regulations binding a given employer may provide for a higher remuneration in this respect) or
- 100% of the reference wage per month in case of illness caused by an accident at work, occupational disease, an illness occurring during pregnancy or if incapacity for work is the result of undergoing necessary medical examinations or surgery for (potential) cell, tissue and organ donors. *(not considered in the model)*

The reference wage is calculated according to the same rules as the Sickness allowance (see Section 9.1.2).

9.2.3. *Benefit duration*

There is no waiting period. Employers continue to pay wages for the first 33 calendar days of illness in any calendar year (or 14 calendar days in case of persons aged 50 or over).

9.2.4. *Means test*

The benefit is not means-tested.

9.2.5. Tax treatment

Wages paid during sickness period are taxed in the same way as earned income from employment. Employer continues paying contributions for health care, but there are no other contributions.

9.2.6. Interactions with other components of the tax-benefit system

Sickness allowance is included in means tests for other types of benefits.

9.2.7. Combining benefit receipt and employment/starting a new job

The benefit is not compatible with earnings from work. Partial sickness benefit does not exist.

10. Short-time work schemes

10.1. Support from the Guaranteed Employee Benefits Fund (Fundusz Gwarantowanych Świadczeń Pracowniczych)

Measure 1: Support for entrepreneurs for the protection of workplaces from the funds of the Guaranteed Employee Benefits Fund (*Wsparcie dla przedsiębiorców na ochronę miejsc pracy ze środków Funduszu Gwarantowanych Świadczeń Pracowniczych - art.15g*)

The Fund existed before the Covid-19 crisis and was used to fund claims stemming from the employment contractual liabilities that have not been settled to employees due to the employer's insolvency or financial difficult situation. In March 2020 the regulations were amended to provide special solutions related to the prevention and eradication of COVID-19 and crisis situations caused by them, in particular, to use the guaranteed employee benefits fund to finance the reduced working time and economic downtime – as the first remedy for beneficiaries who had been forced to limit their activity on a large scale. Measure was implemented on 2 March 2020 as a part of Act on special arrangements relating to the prevention, counteraction and combating COVID-19, other communicable diseases and crisis situations arising from them. Employers could apply for this form of support up to 10 June 2021.

Measure 2: Provisions for the protection of workplaces from the Guaranteed Employee Benefits Fund for subsidizing wages of employees not covered by economic downtime (*Świadczenia na rzecz ochrony miejsc pracy ze środków FGŚP na dofinansowanie wynagrodzenia pracowników nieobjętych przestojem – art. 15gg*)

The following months resulted with the decrease of the average economic activity level. This was the reason of implementing a similar form of legal aid, co-financing the salaries of employees not covered by the reduced working time and economic downtime as well as downtime mentioned in art. 81 of Labor Code (i.e. not covered by Measure 1).

Measure 3: “Branch Shield” (*Tarcza Branżowa*)

The second wave of pandemic beginning in November 2020 resulted in a new aid instrument called “Branch Shield” for enterprises most affected by restrictions of legal activity, based on activity codes. This aid instrument is also connected with co-financing of employee`s salaries. Measure was implemented on 2 March 2020 as a part of Act on special arrangements relating to the prevention, counteraction and combating COVID-19, other communicable diseases and crisis situations arising from them. Employers could apply for this form of support up to 31 August 2021

10.1.1. Entitlement and eligibility conditions

Measure 1:

This solution applies to companies that:

- during any two consecutive calendar months after 1 January 2020 to the day preceding the date of submitting application for the subsidy, has recorded a decrease in turnover of not less than 15% compared to the total turnover from the corresponding 2 months of the previous year,

or

- during one freely indicated calendar month after 1 January 2020 to the day preceding the date of submitting application for the subsidy, they recorded a decrease in turnover of not less than 25% in relation to the previous month.

The company should not have any due tax, social security, health, Guaranteed Employee Benefits Fund (FGŚP), Labor Fund and Solidarity Fund liabilities older than 30th of September 2019. There should be no grounds for the declaration of bankruptcy.

In ref. to the first solution company should have concluded an agreement to reduce the working time of employees or to include employees in economic downtime.

Measure 2:

Same as with Measure 1, except it is for entrepreneurs who didn't declare the state of economic downtime.

Measure 3:

Third solution applies to the companies from sectors directly included in provisions of PKD codes (Polish Classification of Activities) with additional condition that this activity plays a dominant role in the range of activities of the beneficiary. Enterprises are verified with the REGON registry (the National Official Business Register of Poland) as of 30 September 2020 (the main Act) or 30 November 2020 (Ministries Council's ordinance which added 5 codes from the tourism industry). Further conditions are similar to the mentioned above with additional restrictions that beneficiary is not under restructuring or liquidation proceedings.

10.1.2. Benefit amounts

Measure 1:

The subsidy is paid to the employer. The aim is to protect jobs during the pandemic.

1) Economic downtime is a period of non-performance of work by an employee for reasons not related to the employee who is ready to work.

The employer pays an employee subject to economic downtime a remuneration reduced by no more than 50%, but not lower than the minimum remuneration for work determined on the basis of the provisions on the minimum remuneration for work, taking into account the working time.

In the event of an economic downtime, the maximum amount of co-financing (from FGŚP) per employee will be PLN 1 651.02 (gross), including social insurance contributions due from the employer on a full-time basis (assuming the accident insurance contribution of 1.67%). The subsidy is granted taking into account the working time.

2) The reduced working time is the period of working time of the employee reduced for reasons not related to the employee. The employer may reduce the working time of an employee by 20% to no more than 0.5 full-time jobs.

The remuneration for the reduced working time may not be lower than the minimum remuneration for work determined on the basis of the provisions on the minimum remuneration for work, taking into account the working time. The provision introduces a guarantee of a minimum remuneration for work after reducing the working time by 20%, taking into account the working time of an employee before its reduction.

In the case of reduced working hours, the maximum amount of co-financing (from the FGŚP) per employee will be PLN 2 680.1 (gross), including social insurance contributions due from the employer on the basis of the benefit granted (assuming the accident insurance contribution of 1.67%). The subsidy is granted taking into account the working time.

Measure 2:

In case of co-financing the salaries not connected to short-time schemes the employees remuneration is co-financed from the FGŚP up to half of the salary amount, but not more than 40% of the average monthly salary from the previous quarter announced by the President of Polish Central Statistical Office, in force on the day of submitting the application.

Period of time	Amount of average salary in PLN (as announced by Statistics Poland)
Q1 2020	5 331.47
Q2 2020	5 024.48
Q3 2020	5 168.93
Q4 2020	5 457.98
Q1 2021	5 681.56
Q2 2021	5 504.52

Measure 3:

In case of Branch Shield the salary is subsidized up to PLN 2 000 per full time work scheme.

The co-financing for the remuneration of employees cannot be granted for those employees who, in a month preceding the month of submitting the application, obtained remuneration higher than 300% of the average monthly remuneration from the previous quarter

10.1.3. Benefit duration

Measure 1 & 2:

In ref. to two subsidies instruments a submission of applications is possible up to 10 June 2021.

Measure 3:

In case of Branch Shield applications based on the Ministries Council ordinance can be submitted up to 31 August 2021. Deadline for applications based on the main Act has already expired on 10 June 2021. There is a maximum limit of support for given employees (3 months) incl. salaries and social security contributions. The application for the first two subsidies instruments do not limit the possibility of applying for the full 3 months limit from the Branch Shield. On the contrary submitting an application for the Branch Shield subsidy in the first place rules out other subsidies instruments.

10.1.4. Means test

The allowance is not means-tested.

10.1.5. Tax treatment

The (reduced) wage paid to employee is subjected to both social contributions and personal income tax according to the standard rules. Allowance is paid directly to the employer in gross terms.

Employers during the period of economic downtime or reduced working time are entitled to funds from the FGSP to pay social security contributions for employees due from the employer on the benefits granted.

10.1.6. Interactions with other components of the tax-benefit system

The wage received by the employee is included in the means-tested for other benefits.

10.1.7. Combining benefit receipt and employment/starting a new job

The support is available to employees with reduced working time.

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

This section shows selected output of the TaxBEN model for Poland 2021. 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](#). The figure shows outputs for four scenarios:

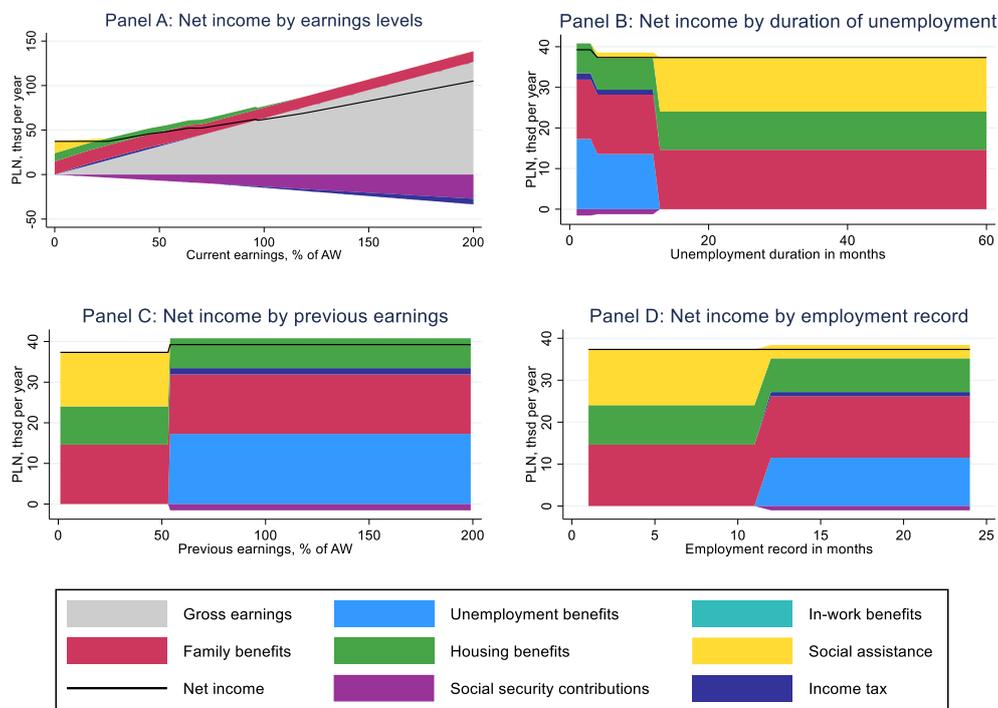
- By percentage of the average wage (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record, for a jobseeker claiming 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 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 10. Selected output from the OECD tax-benefit model

40-year old 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: 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 1 140.99 (from 1 March 2019 to 29 February 2020). From 1 March 2020 it will amount to PLN 1 210.99. 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). In exceptionally justified cases, 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 March 2019 it is PLN 1 100.00 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.

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 900.

The benefit equals an amount of alimony awarded by court but it cannot exceed PLN 500 per month. Proportional reduction of the amount of benefits from the alimony fund – mechanism “złotówka za złotówkę” (“penny for penny”) was introduced in July 2020. According to this mechanism entitled person who doesn’t fulfil income criteria can receive benefits from the alimony fund reduced by the amount exceeding the income criterion. Previously, the full amount of benefits from the alimony fund was withdrawn if income exceeded the threshold.

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.

Tourist voucher (Bon turystyczny)

This benefit was introduced due to Covid-19. It provides a family eligible for Family 500+ benefit with a single voucher that is amounted in PLN 500 per child, or PLN 1 000 in case of children with disabilities. Benefit is not means-tested and not subjected to income tax.

The voucher can only be used to pay for hotel services, tourist events and similar activities, provided in Poland by tourist entrepreneurs and organizations of public benefit registered on the list maintained by the Polish Tourist Organization (POT).

The voucher can be used multiple times, until its amount is exhausted, between 1 August 2020 and 31 March 2022.

Downtime allowance (Świadczenie postojowe)

The downtime allowance is a measure introduced due to Covid-19. It is aimed at persons conducting business activity (self-employed) and working under civil law contracts (a special category of atypical contracts), who cannot continue their job due to pandemic and who are not eligible for unemployment benefit or faced severe decrease of income. The downtime allowance is granted in the amount of 80% of the amount of the minimum remuneration for work determined on the basis of the regulations on the minimum remuneration for work, i.e. the maximum amount of the benefit is PLN 2 080 per month. The benefit is not taxed and is exempted from social insurance contributions. One can be granted with downtime allowance up to 3 times. Allowance has been introduced on 2 March 2020 with Act on special arrangements relating to the prevention, counteraction and combating COVID-19, other communicable diseases and crisis situations arising from them and it’s still possible to apply for it.