


## Details of settlement of PIT-36 for 2021

You will find here detailed information on the settlement of PIT-36 for 2021 in the Twój e-PIT service

 15.02.2022

### Tax identifier

**PESEL** is entered in the tax return by persons included in the PESEL register who in the fiscal year:

- did not run a business,
- were not registered as VAT taxable persons,
- were not payers of premiums (either for social insurance or health insurance) or tax, e.g. for employment of an employee.

Please remember! If you are a foreign national and you are obliged to settle tax in Poland, you should, as a rule, enter your PESEL number.

**NIP** is entered by persons who do not meet at least one of the above conditions.

### Tax return correction

A corrected tax return may be submitted if:

- in the tax return, there are accounting errors and obvious mistakes,
- the tax return has been completed contrary to the requirements or it rises doubts whether the data it contains is correct.

The right to submit a corrected tax return:

- shall be suspended for the duration of a tax procedure or tax control – to the extent covered by this procedure or control,
- shall continue to appertain after the completion of:
  - tax control,
  - tax procedure – to the extent not covered by the decision specifying the tax liability amount.

If, in the course of the tax avoidance procedure, a corrected tax return referred to in Article 81b(1a) of the Tax Code is submitted, you should specify the reason for its submission.

## Settlement method

### No place of residence in Poland

Taxable persons who are resident for tax purposes outside Poland in a country of the European Union, the European Economic Area or the Swiss Confederation (which is documented with a certificate of residence), may show in the tax return revenue earned in Poland, that was subject during the year to lump-sum income tax in accordance with Article 29(1) of the Act, and then calculate tax on it according to the tax scale.

In this case, the lump-sum income tax collected on this revenue is treated the same as the income tax advance deducted by the taxpayer. If you want to use this solution, indicate this in the tax return.

This rule is applied if, based on ratified international agreements to which Poland is a party, the tax office can obtain tax information from the tax authority of the country where the natural person resides for tax purposes.

## Income taxation

### Joint taxation of spouses' income

The application for joint taxation of income, referred to in Article 6(2) of the Act, may be filed by spouses who in a given year:

- were residing in Poland for more than 183 days or had a center of their personal and economic interests in Poland (see Article 3(1) of the PIT Act),
- were married – with a tenancy by the entirety – for the entire fiscal year or from the date of their marriage to the last day of the fiscal year (if the marriage was concluded during the fiscal year).

Joint taxation of income is not available for spouses covered by the provisions on:

1. non-agricultural business activity or special branches of agricultural production subject to flat-rate tax, or
2. non-agricultural business activity subject to lump-sum income tax (Lump-Sum Tax Act) with respect to revenue earned, tax-deductible expenses incurred, the obligation or the right to increase or decrease the tax base or revenue, the obligation or the right to make other additions or deductions (applies to points (a) and (b)) in the fiscal year,
3. taxation under the Tonnage Tax Act or the Act on the activation of the shipbuilding industry and complementary industries.

Income does not include revenue that is subject to lump-sum income tax. This revenue includes, for example: winnings in number games, dividends, interest on bank deposits.

Spouses who meet the conditions for joint taxation may be taxed jointly on the sum of their income. To this end, they have to submit a joint tax return, in which each of them separately makes available deductions, e.g. social insurance premiums, donations, rehabilitation relief or thermal modernization relief.

Tax on the spouses' income is twice the amount of tax calculated on half of the total income of the spouses.

Joint settlement is possible also if one of the spouses did not earn in the fiscal year revenue taxed according to the tax scale.

An application for joint taxation of income may be signed by one of the spouses – it is treated as an authorization for joint taxation of their income.

### **Taxation method provided for widows and widowers**

An application for joint taxation of the income of spouses with a tenancy by the entirety in the fiscal year may also be submitted by a taxable person who was married and their spouse died:

- during the fiscal year, or
- after the end of that year but before the tax return for that year was filed.

However, joint taxation is not possible where the provisions on:

1. non-agricultural business activity or special branches of agricultural production subject to flat-rate tax, or
2. non-agricultural business activity subject to lump-sum income tax (Lump-Sum Tax Act) apply with respect to revenue earned, tax-deductible expenses incurred, the obligation or the right to increase or decrease the tax base or revenue, the obligation or the right to make other additions or deductions (applies to points (a) and (b)) in the fiscal year,
3. taxation under the Tonnage Tax Act or the Act on the activation of the shipbuilding industry and complementary industries apply.

Income does not include revenue that is subject to lump-sum income tax. This revenue includes, for example: winnings in number games, dividends, interest on bank deposits.

A person who meets the conditions for such taxation may have their revenue taxed jointly with the revenue of their deceased spouse. To this end, this person has to submit a tax return in which they will make deduction available for each of the spouses, e.g. of social insurance premiums, donations, rehabilitation relief or thermal modernization relief.

The tax is twice the amount of tax calculated on half of the total income of the spouses.

Such settlement is possible also if one of the spouses did not earn in the fiscal year revenue taxed according to the tax scale.

### **Taxation of income of single parents**

An application for determining the tax amount in the manner provided for single parents may be submitted by a parent or legal guardian with an unlimited tax obligation, who is:

- a maid or bachelor,

- a widow or widower,
- a divorced person or a person with a judgment of separation from a court ruled under other regulations,
- a married person, if their spouse has been deprived of parental rights or is imprisoned.

Such person may make a deduction if all the following conditions set out in the Act were met in the fiscal year:

1. the person was bringing up children on one's own
  - a. who were minor,
  - b. of any age, who, in accordance with other regulations, received an attendance allowance (benefit) or a social pension,
  - c. under 25 years of age, if they study at primary, secondary or higher schools, in Poland and abroad – if in the fiscal year they did not earn income taxable on general terms (17%, 32%), capital gains (19%) or earned tax-exempt revenue as part of "youth relief", in the total amount exceeding PLN 3,089. The sum of this income does not include the income from a survivors' pension and exempt revenue, e.g. maintenance, scholarships.
2. the income of the taxable person and of the child was not covered in the fiscal year by the provisions on:
  - a. non-agricultural business activity or special branches of agricultural production subject to flat-rate tax, or
  - b. non-agricultural business activity subject to lump-sum income tax (Lump-Sum Tax Act), with respect to revenue earned, tax deductible expenses incurred, the obligation or the right to increase or decrease the tax base or revenue, the obligation or the right to make other additions or deductions (applies to points (a) and (b)) in the fiscal year,
  - c. taxation under the Tonnage Tax Act or the Act on the activation of the shipbuilding industry and complementary industries.

Income does not include revenue that is subject to lump-sum income tax. This revenue includes, for example: winnings in number games, dividends, interest on bank deposits.

Tax is calculated on the sum of income less available reliefs, e.g. social insurance premiums, donations, rehabilitation relief or thermal modernization relief.

An eligible single parent determines tax at twice the amount of tax calculated on half of their income.

**An adult child who earned taxable income in the fiscal year is obliged to submit a tax return on their own with the amount of income earned from the date of coming of age, regardless of its amount. Regardless of the foregoing, an eligible parent of an adult child may settle tax as a single parent.**

The indicated rules and method of taxation of the income of spouses and single parents, also apply to:

1. spouses who are resident for tax purposes outside Poland in a country of the European Union, the European Economic Area or the Swiss Confederation,
2. spouses, one of whom is subject to an unlimited tax obligation in Poland and the other is resident for tax purposes outside Poland in a country of the European Union, the European Economic Area or the Swiss Confederation,
3. single parents resident for tax purposes outside Poland in a country of the European Union, the European Economic Area or the Swiss Confederation,

if they earned in Poland taxable revenue in the amount of at least 75% of the total revenue of the spouses or a single parent in the fiscal year. The place of residence for tax purposes must be documented with a certificate of residence

For such persons to be allowed to have their income taxed in the manner provided for spouses, widows and widowers as well as single parents, there must be legal grounds under the double taxation avoidance agreement or other ratified international agreements to which Poland is a party, for the tax authority to obtain tax information from the tax authority in the country where the natural person resides for tax purposes.

At the request of tax authorities, spouses, as well as single parents, are required to document the total amount of revenue earned in the fiscal tax year by presenting a certificate issued outside Poland by the competent tax authority of a country of a European Union, European Economic Area or Swiss Confederation where these persons are resident for tax purposes or any other document confirming the amount of total revenue earned in the fiscal year.

### **Choice of the taxation method provided for in Article 29(4) of the Act**

If taxable persons have residence for tax purposes confirmed with a certificate of residence outside Poland in a country of the European Union, the European Economic Area or the Swiss Confederation, and during the fiscal year, generated revenue from which the taxpayer withheld lump-sum income tax, they may – as requested in the tax return – have the earned revenue taxed using the tax scale.

In this case, the lump-sum income tax withheld during the fiscal year is treated the same as the income tax advance withheld by the taxpayer.

This rule applies if the double taxation avoidance agreement provides legal grounds for the tax authority to obtain tax information from the tax authority in the country where the natural person is resident for tax purposes.

## **Premiums**

### **Social insurance premiums**

**Deduction is allowed** for the following premiums referred to in the provisions of the Act of 13 October 1998 on the social insurance system:

- premiums for old age and disability insurance and for sickness insurance withheld and disclosed by the taxpayer in PIT-11,
- premiums for own old age, disability, sickness and accident insurance of the taxable person and persons cooperating with the taxable person, paid in the fiscal year by the taxable person, provided that these premiums were not previously recognized as tax-deductible expenses.

Premiums paid in the fiscal year from the taxable person's funds for compulsory social insurance of the taxable person or persons cooperating with the taxable person are – in accordance with the provisions on compulsory social insurance in force outside Poland in a country of the European Union, the European Economic Area or the Swiss Confederation – deductible as well. For such premiums to be deducted, there must be legal grounds under the double taxation avoidance agreement or other ratified international agreements to which Poland is a party, for the tax authority to obtain tax information from the tax authority in the country where the taxable person paid premiums for compulsory social insurance.

#### **Social security premiums non-deductible in PIT-36:**

- premiums deducted from taxable income on the terms specified in Article 30c of the Act,
- premiums deducted from revenue under the provisions of the Act on lump-sum income tax,
- premiums recognized as tax-deductible expenses,
- premiums refunded in any form to the taxable person,
- premiums assessed based on income (revenue) exempt from tax under the Act and income from which tax collection has been waived pursuant to the provisions of the Tax Code,
- premiums assessed based on income (revenue) exempt from tax under double taxation avoidance agreements to which Poland is a party,
- paid and deducted outside Poland in a country of the European Union, the European Economic Area or the Swiss Confederation from income (revenue) or tax earned in that country, or from tax pursuant to Article 27b(1)(2) of the Act.

The amount of expense for social insurance premiums is determined based on documents confirming that it has been incurred.

The amounts of social insurance premiums denominated in foreign currencies are converted into PLN at the average exchange rate announced by the National Bank of Poland on the last business day preceding the day when the expenditure was made.

**Note! Premiums paid from revenue that is exempt from tax under Article 21(1)(148) of the Act (youth relief) are not deductible.**

If both exempt and taxable income is earned, the taxable person may deduct from the total amount of social insurance premiums paid the amount equivalent to the percentage of taxable revenue in the total amount of this revenue and revenue covered by youth relief.

#### **Information for taxable persons who earned revenue exempt from tax pursuant to Article 21(1)(148) of the Act (shown in part D of the tax return)**

If the revenue shown in part D of PIT-36 tax is the base for the assessment of non-deductible premiums, the taxable person (spouse, respectively) reduces the total amount of premiums paid (shown by the taxpayer) by that part thereof that is attributable to the revenue shown in part D of the tax return.

If revenue from employment and related relationships, contracts of mandate and graduate placements or student internships, earned by the taxable person (spouse, respectively) in the period from 1 January 2021 to 31 December 2021, but not later than by the age of 26, is fully exempt (does not exceed the limit of PLN 85,528), the reduction amount corresponds to the premiums shown in:

- items 70 and 71 in PIT-11(26) (only premiums from item 69 are deductible) or
- items 76 and 77 in PIT-11(27) (only premiums from item 75 are deductible).

**The deduction amount is determined as follows:**

- **Taxable persons who earned revenue only from employment and related relationships.**

One should add up the amounts from items 61, 67 and 72 (taxable person), respectively, the amounts from items 62, 129 and 134 (spouse), and then determine the percentage of exempt revenue in the calculated total, i.e. in the case of the taxable person, the share of the amount from item 61 in the total of the amounts from items 61, 67 and 72, and in the case of the spouse, the share of the amount from item 62 in the total of the amounts from items 62, 129 and 134.

The so determined share corresponds to that part of the premiums paid that reduces their total amount:

- shown by the taxpayer in items 69, 70 and 71 in PIT-11(26);
- shown by the taxpayer in items 75, 76 and 77 in PIT-11(27).

- **Taxable persons who earned revenue only from contracts of mandate, referred to in Article 13(8) of the Act.**

One should add up the amounts from items 63 and 93 (taxable person), respectively, the amounts from items 64 and 155 (spouse), and then determine the percentage of exempt revenue in the calculated total, i.e. in the case of the taxable person, the share of the amount from item 63 in the total of the amounts from items 63 and 93, and in the case of the spouse, the share of the amount from item 64 in the total of the amounts from items 64 and 155.

The so determined share corresponds to that part of the premiums paid that reduces their total amount:

- shown by the taxpayer in items 69, 70 and 71 in PIT-11(26);
- shown by the taxpayer in items 75, 76 and 77 in PIT-11(27).

**Taxable persons who earned revenue only from graduate placements or student internships.**

One should add up the amounts from items 65 and 124 (taxable person), respectively, the amounts from items 66 and 186 (spouse), and then determine the percentage of exempt revenue in the calculated total, i.e. in the case of the taxable person, the share of the amount from item 65 in the total of the amounts from items 65 and 124, and in the case of the spouse, the share of the amount from item 66 in the total of the amounts from items 66 and 186.

The so determined share corresponds to that part of the premiums paid that reduces their total amount:

- shown by the taxpayer in items 69, 70 and 71 in PIT-11(26);
- shown by the taxpayer in items 75, 76 and 77 in PIT-11(27).

- **Taxable persons who earned two types of revenue, i.e. from employment and related relationships and from contracts of mandate.**

One should add up the amounts from items 61, 63, 67, 72 and 93 (taxable person), respectively, the amounts from items 62, 64, 129, 134 and 155 (spouse), and then determine the percentage of exempt revenue in the calculated total, i.e. in the case of the taxable person, the share of the total of the amount from items 61 and 63 in the total of the amounts from items 61, 63, 67, 72 and 93, and in the case of the spouse, the share of the amount from items 62 and 64 in the total of the amounts from items 62, 64, 129, 134 and 155.

The so determined share corresponds to that part of the premiums paid that reduces their total amount:

- shown by the taxpayer in items 69, 70 and 71 in PIT-11(26);
- shown by the taxpayer in items 75, 76 and 77 in PIT-11(27).
- **Other taxable persons, including those who cannot determine the amount of deduction from the revenue shown in part D of the tax return on account of premiums paid (not deductible ones) based on documents held.**

One should determine the share of the total of the amounts from items 61 and 63 in the total of the amounts from items 61, 63 and 125, and in the case of the spouse, the share of the total of the amounts from items 62 and 64 in the total of the amounts from items 62, 64 and 187.

The so determined share corresponds to that part of the premiums paid that reduces their total amount:

- shown by the taxpayer in items 69, 70 and 71 in PIT-11(26);
- shown by the taxpayer in items 75, 76 and 77 in PIT-11(27).

## Health insurance premiums

### Tax-deductible health insurance premiums referred to in Article 27b of the Act:

1. health insurance premiums referred to in the Act of 27 August 2004 on healthcare services financed from public funds:
  - paid in the fiscal year directly by the taxable person in accordance with the provisions of the aforementioned act,
  - withheld in the fiscal year by the taxpayer in accordance with the provisions on healthcare services financed from public funds; the amount of premiums withheld by the taxpayer (up to 7.75% of the premium assessment base) is shown in information from the taxpayer;
2. premiums paid in the fiscal year from the taxable person's funds for compulsory health insurance of the taxable person or persons cooperating with the taxable person, in accordance with the provisions on compulsory health insurance in force outside Poland in a country of the European Union, the European Economic Area or the Swiss Confederation.

### Health insurance premiums non-deductible in PIT-36:

- premiums deducted under the provisions of the Act of 20 November 1998 on lump-sum income tax,
- premiums deducted from tax calculated in accordance with Article 30c of the Act,
- premiums assessed based on income (revenue) exempt from tax under the Act (among others pursuant to Article 21(1)(148) of the Act) and income from which tax collection has been waived pursuant to the provisions of the Tax Code.



Deduction pursuant to Article 27b(1)(2) of the Act (the so-called foreign premiums) is possible, provided that:

1. such premiums are assessed based on income (revenue) exempt from tax under double taxation avoidance agreements to which Poland is a party,
2. premium for compulsory health insurance paid outside Poland in a country of the European Union, the European Economic Area or the Swiss Confederation has not been deducted from income (revenue) or tax in that country, nor has it been deducted pursuant to Article 26(1)(2a) of the Act,
3. there are legal grounds under the double taxation avoidance agreement or other ratified international agreements to which Poland is a party, for the tax authority to obtain tax information from the tax authority in the country where the taxable person paid premiums for compulsory health insurance.

**The amount of a health insurance premium by which tax is reduced may not exceed 7.75% of the assessment base of this premium (this applies to both domestic and foreign premiums).**

**The amount of expense for health insurance premiums is determined based on documents confirming that it has been incurred.**

The amounts of health insurance premiums denominated in foreign currencies are converted into PLN at the average exchange rate announced by the National Bank of Poland on the last business day preceding the day when the expenditure is made.

**Note! Premiums paid from revenue that is exempt from tax under Article 21(1)(148) of the Act (youth relief) are not deductible.**

**Information for taxable persons who earned revenue exempt from tax pursuant to Article 21(1)(148) of the Act (shown in part D of the tax return).**

If the revenue shown in part D of the tax return is the base for the assessment of non-deductible premiums, the taxable person (spouse, respectively) reduces the total amount of premiums paid (shown by the taxpayer) by that part thereof that is attributable to this revenue.

If revenue from employment and related relationships, contracts of mandate and graduate placements or student internships, earned by the taxable person (spouse, respectively) in the period from 1 January 2021 to 31 December 2021, but not later than by the age of 26, is fully exempt (does not exceed the limit of PLN 85,528), the reduction amount corresponds to the premiums shown in:

- items 72, 73 and 74 in PIT-11(26) (only premiums from item 72 are deductible);
- items 78, 79 and 80 in PIT-11(27) (only premiums from item 78 are deductible).

**In other cases, the reduction amount is determined as follows:**

- **Taxable persons who earned revenue only from employment and related relationships.**

One should add up the amounts from items 61, 67 and 72 (taxable person), respectively, the amounts from items 62, 129 and 134 (spouse), and then determine the percentage of exempt revenue in the calculated total, i.e. in the case of the taxable person, the share of the amount from item 61 in the total of the amounts from items 61, 67 and 72, and in the case of the spouse, the share of the amount from item 62 in the total of the amounts from items 62, 129 and 134.

The so determined share corresponds to that part of the premiums paid that reduces their total amount:

- shown by the taxpayer in items 72, 73 and 74 in PIT-11(26);
  - shown by the taxpayer in items 78, 79 and 80 in PIT-11(27).
- **Taxable persons who earned revenue only from contracts of mandate, referred to in Article 13(8) of the Act.**  
One should add up the amounts from items 63 and 93 (taxable person), respectively, the amounts from items 64 and 155 (spouse), and then determine the percentage of exempt revenue in the calculated total, i.e. in the case of the taxable person, the share of the amount from item 63 in the total of the amounts from items 63 and 93, and in the case of the spouse, the share of the amount from item 64 in the total of the amounts from items 64 and 155.

The so determined share corresponds to that part of the premiums paid that reduces their total amount:

- shown by the taxpayer in items 72, 73 and 74 in PIT-11(26);
- shown by the taxpayer in items 78, 79 and 80 in PIT-11(27).

**Taxable persons who earned revenue only from graduate placements or student internships.**

One should add up the amounts from items 65 and 124 (taxable person), respectively, the amounts from items 66 and 186 (spouse), and then determine the percentage of exempt revenue in the calculated total, i.e. in the case of the taxable person, the share of the amount from item 65 in the total of the amounts from items 65 and 124, and in the case of the spouse, the share of the amount from item 66 in the total of the amounts from items 66 and 186.

The so determined share corresponds to that part of the premiums paid that reduces their total amount:

- shown by the taxpayer in items 69, 70 and 71 in PIT-11(26);
- shown by the taxpayer in items 75, 76 and 77 in PIT-11(27).

**Taxable persons who earned revenue from employment and related relationships, from contracts of mandate and graduate placements or student internships.**

One should add up the amounts from items 61, 63, 65, 67, 72, 93 and 124 (taxable person), respectively, the amounts from items 62, 64, 66, 129, 134, 155 and 186 (spouse), and then determine the percentage of exempt revenue in the calculated total, i.e. in the case of the taxable person, the share of the total of the amount from items 61, 63 and 65 in the total of the amounts from items 61, 63, 65, 67, 72, 93 and 124, and in the case of the spouse, the share of the amount from items 62, 64 and 66 in the total of the amounts from items 62, 64, 66, 129, 134, 155 and 186.

The so determined share corresponds to that part of the premiums paid that reduces their total amount:

- shown by the taxpayer in items 72, 73 and 74 in PIT-11(26);
  - shown by the taxpayer in items 78, 79 and 80 in PIT-11(27).
- **Other taxable persons, including those who cannot determine the amount of deduction from the revenue shown in part D of the tax return on account of premiums paid (not deductible ones) based on documents held.**  
One should determine the share of the total of the amounts from items 61 and 63 in the total of the amounts from items 61, 63

and 125, and in the case of the spouse, the share of the total of the amounts from items 62 and 64 in the total of the amounts from items 62, 64 and 187.

The so determined share corresponds to that part of the premiums paid that reduces their total amount:

- shown by the taxpayer in items 72, 73 and 74 in PIT-11(26) and in item 41 in PIT-40A and PIT-11A;
- shown by the taxpayer in items 78, 79 and 80 in PIT-11(27) and in item 41 in PIT-40A and PIT-11A.

## Revenue and tax-deductible expenses

### Remuneration under employment relationship

Revenue under employment and related relationships means money received by the taxable person or made available for the taxable person's disposal in the fiscal year as well as monetary values and the value of benefits received in kind.

This includes in particular: basic salary, remuneration for overtime, various types of bonuses, awards, equivalents for unused leave and any other payments, regardless of whether their amount has been determined in advance, as well as cash benefits paid for the employee by the employing establishment and the value of other benefits: gratuitous and partially remunerated ones.

### Tax-deductible expenses on account of remuneration under an employment contract, including tax-deductible expenses at a 50% rate under copyright

For 2021, lump-sum tax-deductible expenses under employment relationship may not exceed:

- PLN 3,000 (PLN 250 per month), if the taxable person earned revenue under one employment relationship and related relationships,
- PLN 4,500, if the taxable person earned revenue under more than one employment relationship and related relationships at a time,
- PLN 3,600 (PLN 300 per month), if the place of permanent or temporary residence of the taxable person in the fiscal year was located outside the city or town where their employing establishment is located, and the taxable person did not receive a separation allowance or was not reimbursed for travel costs (except where the reimbursed costs have been recognized as taxable revenue),
- PLN 5,400, if the taxable person earned revenue under more than one employment relationship and related relationships at a time, and the place of permanent or temporary residence of the taxable person was located outside the city or town where their employing establishment is located, and the taxable person did not receive a separation allowance or was not reimbursed for travel costs (except where the reimbursed costs have been recognized as taxable revenue).

If the annual lump-sum fixed costs referred to in Article 22(2) of the Act are lower than the expenses on commuting to the employing establishment(s) by bus, rail, ferry or public transport, these expenses may be recognized by the employee in the tax return – instead of the above-mentioned ones – in the amount of actually incurred expenses, documented only with personal season tickets (Article 22(11) of the Act). The above rule does not apply if the employee was reimbursed for travel expenses (except where the reimbursed costs have been recognized as taxable revenue).

Where the exemption referred to in Article 21(1)(148) of the Act (youth relief) is applied, the annual lump-sum fixed costs and those actually incurred are recognized in the amount that does not exceed the amount of revenue under employment and related relationships, that is subject to taxation.

A taxable person who earns revenue under an employment relationship and takes advantage from copyright or neighboring rights with respect to this revenue, as defined in other regulations, is entitled to tax-deductible expenses at a 50% rate. These expenses are calculated based on revenue reduced by the social insurance premiums referred to in Article 26(1)(2)(b) of the Act, withheld in a given month by the taxpayer from the taxable person's funds following their assessment based on this revenue.

The amount of tax-deductible expenses at a 50% rate under all the titles specified in Article 22(9)(1)-(3) of the Act may not exceed PLN 85,528.

Where the exemption referred to in Article 21(1)(148) of the Act (youth relief) is applied, the amount of the total tax-deductible expenses under all the titles specified in Article 22(9)(1)-(3) of the Act, and revenue exempt from tax pursuant to Article 21(1)(148), may not exceed PLN 85,528 in the fiscal year.

If the actually incurred expenses were higher than those resulting from the application of the 50% standard rate (with an annual limit of PLN 85,528), the taxable person (spouse, respectively) may recognize expenses in the amount of actually incurred and documented ones (Article 22(10) and Article 22(10a) of the Act).

Tax-deductible expenses at a 50% rate, referred to in Article 22(9)(3) of the Act, relate only to revenue from:

1. creative activity in the field of architecture, interior design, landscape architecture, construction engineering, town planning, literature, fine arts, industrial design, music, photography, audio and audio-visual works, computer programs, computer games, theater, costume design, stage design, directing, choreography, artistic violin making, folk art, and journalism;
2. artistic activity in the field of acting, live, dance and circus art as well as in the field of conducting and vocal and instrumental studies;
3. audio and audio-visual production;
4. columnist activity;
5. museum activity in the field of exhibition, science, popularization, education and publishing;
6. restoration activity;
7. dependent right referred to in Article 2(2) of the Act of 4 February 1994 on copyright and neighboring rights, to develop someone else's work in the form of a translation;
8. research and development, scientific, scientific and didactic, research, and research and didactic activities as well as didactic activity at universities.

## Income earned abroad

If you have earned your income outside Poland, you must remember that it may also be taxable.

Therefore, if you worked abroad or you worked in Poland, but your remuneration was paid by or on behalf of an employer that does not have a place of residence or registered office in Poland, you have to show this remuneration together with other revenue earned in a given year and settle it in PIT-36. The tax return should be accompanied by an appendix PIT/ZG, in which you will show the income earned abroad and – in certain cases – also the tax paid on income earned abroad. The appendix has to be submitted separately for each country in which you earned your income.

Remember that the tax return should include all revenue earned abroad, regardless of its sources.

The obligation to pay tax in Poland does not depend on having Polish citizenship, but on tax residence. A Polish resident subject to unlimited tax obligation is a person who, on the territory of Poland:

- has a center of their personal and economic interests (center of life interests) or
- resides in Poland for more than 183 days in the fiscal year.

If you meet at least one of the above-mentioned criteria, you are subject to tax on all income (revenue) earned in the year, regardless of where it was earned. This means that you have to tax in Poland also income (revenue) earned outside of Poland, even that from ordinary lease, usufructuary lease or business activity.

If the above does not apply to you, you are subject to a limited tax obligation, so you are a non-resident.

In this case, you should settle in Poland only the income (revenue) earned in Poland.

The method of foreign income taxation depends on whether Poland has signed a double taxation avoidance agreement with the country where you earned income.

The agreements concluded by Poland provide for two methods of double taxation avoidance:

- exclusion with progression,
- proportional deduction.

If you have earned income in a country with which Poland has not concluded a double taxation avoidance agreement, the proportional deduction method applies.

Due to the amendments introduced by the MLI Convention to particular double taxation avoidance agreements, it is advisable to check at the beginning of each fiscal year which method applies to your income (revenue).

All information is available at: <https://www.podatki.gov.pl/podatkowa-wspolpraca-miedzynarodowa/wykaz-umow-o-unikaniu-podwojnego-opodatkowania/>

## Exclusion with progression method

In accordance with the **exclusion with progression method**, income earned abroad is not taxable in Poland. However, in order to determine the tax rate to be applied to income in Poland, income earned abroad should also be taken into account.

In the case of the exclusion with progression method, the obligation to submit an annual tax return applies if:

- you earn in Poland other income taxable according to the tax scale;
- you want to take advantage of preferential annual settlement, for example with your spouse or as a single parent.

Example of settlement in accordance with the exclusion with progression method:

1. income earned in Poland = PLN 20,000.00
2. income earned abroad = PLN 30,000.00
3. total income (a+b) = PLN 50,000.00
4. Polish tax according to the tax scale on PLN 50,000.00 = PLN 7,974.88
5. interest rate (d:c) = 15.95%
6. podatek do zapłacenia w Polsce:  $16,65\% \times 20\,000\text{ zł} = 3\,190,00\text{ zł}$  minus zaliczki wpłacone w Polsce

### Proportional deduction method

In accordance with the **proportional deduction method**, income earned abroad must be always taxed jointly with that earned in Poland. You can deduct the tax paid abroad from the calculated tax. Such deduction is possible only up to the amount of tax proportionally attributable to the income earned abroad.

Example of settlement in accordance with the proportional deduction method:

1. income earned in Poland = PLN 30,000.00
2. income earned abroad = PLN 20,000.00
3. tax paid abroad = PLN 5,000.00
4. total income (a+b) = PLN 50,000.00
5. Polish tax according to the tax scale on PLN 50,000.00 = PLN 7,974.88
6. foreign tax to be deducted from Polish tax:  $\text{PLN } 7,974.88 \times \text{PLN } 20,000 : \text{PLN } 50,000\text{ zł} = \text{PLN } 3,189.95$
7. tax payable in Poland:  $\text{PLN } 7,974.88 - \text{PLN } 3,189.95 = \text{PLN } 4,784.93$  less advances paid in Poland

Pursuant to Article 1(15) of the Act of 28 November 2020 amending the Personal Income Tax Act, the Corporate Income Tax, the Act on lump-sum income tax on certain revenue earned by natural persons, and some other acts, abolition relief was amended with respect to revenue earned abroad after 1 January 2021.

In accordance with the aforementioned provision, a deduction on account of abolition relief may not exceed PLN 1,360.

The above limit does not apply to income earned under an employment contract as well as contracts of mandate and contracts for specific work performed outside the land territory of countries. The above exclusion is available to, for example, individuals working on ships or drilling rigs.

### **Determination of taxable income**

**Regardless of the type of double taxation avoidance method, the method of determining income is the same:**

If you live in Poland, and while temporarily staying abroad, you earned income from work there, you can reduce your income by the equivalent of 30% of the subsistence allowance specified in the Regulation of the Minister of Labor and Social Policy of 29 January 2013 on receivables due to an employee employed in a state or local government budgetary unit for a business trip. You are entitled to this deduction for each day of stay abroad when you worked.

When calculating the number of days of stay outside abroad, you can also take into account Saturdays, Sundays, holidays, days of business trips and days of holiday leave.

Revenue denominated in foreign currencies has to be converted into PLN at the average exchange rate announced by the National Bank of Poland **on the last business day preceding the day when the revenue was earned** (payment of the salary or making is available).

You can reduce the thus calculated income by tax-deductible expenses:

- PLN 250 per month, or
- PLN 300 per month –if your place of residence was outside the locality where you worked.

If you earned outside Poland revenue from activities performed in person (e.g. under a contract of mandate or contract for specific work), you can deduct expenses in the amount of 20% of your income, and if the contract relates to copyright – tax-deductible expenses account for 50% of your income.

### **Income from abroad under a public service relationship, employment relationship, from outwork and under a cooperative employment relationship**

Taxation of income from hired labor performed abroad is subject to the regulations provided for in bilateral agreements on double taxation avoidance. In accordance with the general rule applicable in agreements of this type, remuneration for hired labor performed abroad is taxable only in the country of residence, unless work is performed in the other country. In this case, income may be taxed both in the country of residence and in the country where work was performed. Double taxation avoidance agreements provide for an exception to this general rule, in accordance with which remuneration for hired labor in another country may be taxed only in the country of residence, provided that all the following three conditions are met::

- the remuneration recipient stays in the other country for no longer than a specified period of time (usually 183 days in a calendar year or during the next 12 months from the date of arrival in that country), and

- remuneration is paid by or on behalf of an employer that does not have a place of residence or a registered office in the other country, and
- remuneration is not paid by an establishment or permanent establishment the employer has in the other country.

Failure to meet any of these conditions means that the remuneration received may be taxed both in the country where work is performed and in the country in which its recipient has their place of residence. In this case, in order to avoid double taxation of this income, the appropriate method of double taxation avoidance specified in the relevant agreement is applied. Agreements concluded by Poland provide for two methods of double taxation avoidance:

- exclusion with progression
- proportional deduction.

In accordance with the exclusion with progression method, income earned abroad is not added to income earned in Poland. However, in order to determine the tax rate at which income earned in Poland is to be taxed, all income earned in the fiscal year has to be taken into account.

Example of settlement in accordance with the exclusion with progression method:

1. income earned in Poland = PLN 20,000.00
2. income earned abroad = PLN 30,000.00
3. total income (a+b) = PLN 50,000.0
4. Polish tax according to the tax scale on PLN 50,000.00 = PLN 7,974.88
5. interest rate (d:c) = 15.95%
6. tax payable in Poland:  $15.95\% \times \text{PLN } 20,000 = \text{PLN } 3,190.00$  less advances paid in Poland

Example of settlement in accordance with the proportional deduction method:

1. income earned in Poland = PLN 30,000.00
2. income earned abroad = PLN 20,000.00
3. tax paid abroad = PLN 5,000.00
4. total income (a+b) = PLN 50,000.00
5. Polish tax according to the tax scale on PLN 50,000.00 = PLN 7,974.88
6. foreign tax to be deducted from Polish tax:  $\text{PLN } 7,974.88 \times \text{PLN } 20,000 : \text{PLN } 50,000 = \text{PLN } 3,189.95$
7. tax payable in Poland:  $\text{PLN } 7,974.88 - \text{PLN } 3,189.95 = \text{PLN } 4,784.93$  less advances paid in Poland

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### **Income earned abroad from activity performed in person, including under a contract for specific work or a contract of mandate**



If your revenue from activity performed in person, also under contracts for specific work and contracts of mandate, results from an agreement concluded with a foreign trading partner, the received remuneration should be included in the tax return for a given tax year. General principles and methods of taxation are described in the section "Income from abroad". These result from the double taxation avoidance agreements concluded by Poland with particular countries. Agreements concluded by Poland provide for two methods of double taxation avoidance:

- exclusion with progression,
- proportional deduction.

Remember that you have to settle income from this source yourself, because the foreign trading partner will not do it. When settling such income, you are entitled to apply a 20% or – in the case of revenue under copyright – a 50% rate for tax-deductible expenses calculation, but the maximum expenses may not exceed PLN 85,528.

Revenue to be shown in the tax return should be calculated in accordance with the rules **described in the section "Income from abroad"**.

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## Income from ordinary lease and usufructuary lease

Income of Polish tax residents from ordinary and usufructuary lease of real estate located outside Poland may be taxable not only in the country where the real estate is located, but also in Poland, which depends on the double taxation avoidance agreement concluded by Poland with a given country. In order to avoid double taxation, the appropriate method of taxation provided for in such agreement should be applied.

The agreements concluded by Poland provide for two methods of double taxation avoidance:

- proportional deduction,
- exclusion with progression..

General principles and methods of taxation are described in Section 3. These result from the double taxation avoidance agreement concluded by Poland with a particular country. The method of calculating income and other rules for calculating output tax are **described in the section "Income from abroad"**.

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## Income from abroad under copyright and other rights

Revenue under property rights includes, in particular, revenue under copyright and neighboring rights within the meaning of other regulations, the rights to inventive designs, the topography of integrated circuits, trademarks and ornamental designs, also from the sale of these rights.

Copyright was regulated in the Act of 4 February 1994 on copyright and neighboring rights. Pursuant to Article 1(1) of this act, copyright covers any manifestation of creative activity of an individual nature in any form, regardless of its value, purpose and manner of expression (work). In particular, copyright covers works expressed in words, mathematical symbols, graphic signs (literary, journalistic, scientific, cartographic, as well as computer software).

Taxation of this revenue accounts for the provisions of the double taxation avoidance agreements concluded by Poland with other countries. In order to avoid double taxation, the appropriate taxation method provided for in a given agreement should be applied.

The agreements concluded by Poland provide for two methods of double taxation avoidance:

- proportional deduction,
- exclusion with progression.

General principles and methods of taxation are **described in the section "Income from abroad"**.

These are provided for in the double taxation avoidance agreement concluded by Poland with a given country. The method of calculating income and other rules for calculating output tax are **described in the section "Income from abroad"**.

The income from the sale of the above rights should be determined as the difference between the revenue earned and tax-deductible expenses.

For revenue from exercising copyright by creators and neighboring rights by performer-artists, within the meaning of other regulations, or from disposing of these rights, tax-deductible expenses are calculated in the same amount as in the case of income from these sources earned in Poland (50% of revenue, no more than PLN 85,528).

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## **Income from abroad from other sources, including old age and disability pensions, scholarships**

If you have earned revenue abroad from sources other than:

- hired labor,
- contracts for specific work and contracts of mandate,
- ordinary lease and usufructuary lease, and
- copyright and other rights,

including revenue from old age pension, disability pension or scholarship, you are required to settle it in the annual tax return, as long as it is not exempt from taxation under other regulations.

Taxable revenue is covered by double taxation avoidance agreement, so it is advisable to check the terms of the applicable agreement before completing the tax return.

General principles and methods of taxation are **described in the section "Income from abroad"**. These are provided for in the double taxation avoidance agreement concluded by Poland with a given country. The method of calculating income and other rules for

calculating output tax are described in the section "Income from abroad".

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## Old age and disability pensions

Revenue under old age and disability pensions includes:

- old age benefits, including funded pensions,
  - disability benefits, including structural pensions, social pensions, along with increases and allowances (excluding family and attendance allowances and allowances increasing survivors' pensions for double orphans),
  - pre-retirement benefits, pre-retirement allowances, teacher's compensation benefits,
  - supplementary parental benefit, paid by the pension authority.
- 

## Income from activity performed in person, including under contracts of mandate and contracts for specific work or

Revenue from activities performed in person includes:

- revenue from artistic, literary, scientific, training, educational and columnist activity performed in person, including revenue for participation in contests dedicated to science, culture, arts, and journalism, as well as revenue from playing sport, sports grants, and revenue earned by referees, umpires and judges from sports events,
- revenue from the activity of the clergy earned on other accounts other than an employment contract,
- revenue earned by Polish arbitrators participating in arbitration with foreign partners,
- revenue of persons who were commissioned by state administration or local government authorities, the court or public prosecutor, under relevant regulations, to perform certain actions (e.g. revenue of experts in court, investigative or administrative procedures), and remitters and collectors of public and legal fees, as well as revenue from participation in committees appointed by state administration or local government authorities,
- revenue earned by persons performing activities related to the fulfilment of social or public obligations, irrespective of the manner of their appointment, revenue earned by persons, irrespective of the manner of their appointment, who are members of management boards, supervisory boards, other governing bodies and committees of legal persons,
- revenue earned by members of the National Media Council,
- revenue under contracts of mandate or contracts for specific work concluded with natural person conducting business activity or legal persons and organizational units without legal personality,
- revenue of the owner (holder) of real estate with premises for rent, or the manager or administrator acting on their behalf,
- revenue from an enterprise in inheritance,
- revenue earned under enterprise management contracts, manager contracts or other contracts of this type.

Revenue:

- from artistic, literary, scientific, training, educational and columnist activity performed in person, as well as from playing sport, sports grants, and revenue earned by referees, umpires and judges from sports events,
- earned by Polish arbitrators participating in arbitration with foreign partners,
- earned by persons who were commissioned by state administration or local government authorities, the court or public prosecutor, under relevant regulations, to perform certain actions (e.g. revenue of experts in court, investigative or administrative procedures), and remitters and collectors of public and legal fees, as well as revenue from participation in committees appointed by state administration or local government authorities,
- earned under contracts of mandate and contracts for specific work, referred to in Article 13(8) of the Act

entitles to tax-deductible expenses in the amount of 20% of revenue reduced by social insurance premiums withheld by the taxpayer.

If you are in possession of documents confirming that expenses actually incurred were higher, you may recognize expenses actually incurred.

From revenue earned by persons:

- performing activities related to the fulfilment of social or public obligations,
- who are members of management boards, supervisory boards, other governing bodies and committees of legal persons,
- working under enterprise management contracts, manager contracts or other contracts of this type

annual tax-deductible expenses (for each of the above-mentioned designations) amount to no more than PLN 3,000 (PLN 250 per month). If the taxable person obtained the same type of revenue from more than one entity or from the same entity, but under several legal relationships, the annual tax-deductible expenses in 2021 may not exceed PLN 4,500.

**Note! Where the exemption referred to in Article 21(1)(148) of the Personal Income Tax Act (youth relief) is applied to revenue earned under contracts of mandate, tax-deductible expenses appertaining to these contracts are recognized in the amount that does not exceed the amount of revenue under contracts of mandate, that is subject to taxation.**

## Ordinary lease or usufructuary lease

If, as the owner, you let your house, apartment, room, garage or other commercial premises, or you lease real estate and earn revenue on this account, you should show this revenue in the annual tax return.

There are two options for taxing this type of income – assuming that the ordinary/usufructuary lease is not provided as part of non-agricultural business activity:

- on general terms, i.e. according to the tax scale,
- with registered lump-sum tax.

If revenue from ordinary lease is generated by the taxable person and their spouse tenancy by the entirety, the revenue should – as a rule – be taxed separately, in proportion to the right to the share in the profit.

Unless otherwise specified, the rights to profit sharing are assumed to be equal.

In the case of tenancy by the entirety, revenue/income earned from private lease may be taxed in full by one of the spouses. In this case, the spouses should submit a written declaration to the tax office and specify which of them will fully settle the tax on the revenue (income) from the lease.

A declaration of taxation of all income earned from private lease by one of the spouses and a notice of resignation from this method of taxation, filed on behalf of both spouses may be signed by one of them. However, such declaration is made under the pain of criminal liability for false testimony.

It is worth mentioning that there is also a deadline for taxable persons under the Lump-Sum Tax Act for submitting a declaration of taxation of the entire revenue from private lease by one of the spouses and a notice of resignation from this method of settlement. Taxable persons may submit such declaration by the 20th day of the month following the month in which the first revenue on this account was received in the fiscal year, or by the end of the fiscal year, if the first such revenue was earned in December of the fiscal year..

The same deadlines apply to submitting a notice of resignation from this method of settlement (Article 8(3)-(6) of the PIT Act and Article 12(6)-(8a) and (8c) of the Lump-Sum Tax Act) by spouses. The primary form of taxation of revenue from private lease is taxation on general terms, according to the tax scale. Therefore, you should show revenue from this source in the annual PIT-36 tax return, and if you obtain income, you should pay tax to the tax office.

Pursuant to the provisions of the Act, ordinary/usufructuary lease is taxed on general terms, and tax on this account is payable on income, i.e. on the difference between the actually earned revenue from ordinary/usufructuary lease and tax-deductible expenses. All expenses related to the let premises/real estate, incurred by the owner to earn revenue from this source or to maintain or secure it, may be recognized as tax-deductible expenses. However, these expenses must be properly documented. Then the excess of revenue over expenses constitutes taxable income. Only the expenses listed in Article 23 of the Personal Income Tax Act are non-deductible.

It should be noted, however, that no expenses related to the subject of ordinary/usufructuary lease incurred by the lessee may be recognized as tax-deductible expenses by the lessor (owner).

Moreover, if the lease agreement contains a clause providing for the payment of a deposit to the lessor, part or all of which will be retained by the lessor, this amount should be added to the revenue from this source. Otherwise, the value of the deposit is not added to the revenue, as it is refundable.

Income earned from ordinary/usufructuary lease is added up with other income earned in a given fiscal year. You can make deductions from income from ordinary/usufructuary lease available to taxable persons who pay their tax on general terms.

### **Advances due**

In section L of the PIT-36 tax return (items 300-311 and 324-336 as well as items 352-363 and 376-388), the taxable person should show the advances due during the fiscal year on account of ordinary lease or usufructuary lease or business activity, as well as the amount of tax on revenue from a fixed asset being a building that is owned or co-owned by the taxable person, is an asset related to business activity, has been fully or partially put into use under an ordinary lease agreement, usufructuary lease agreement or other agreement of a similar nature, and is located on the territory of Poland.

Persons who have chosen to have their income from private lease taxed on general terms are required to calculate and pay advances for income tax during the year. This obligation arises from the month in which the income from ordinary/usufructuary lease exceeded the amount giving rise to the obligation to pay tax (Article 44(3) of the Act)..

During the year, there is an obligation to make the due advance payment by the 20th day of each month for the previous month. The advance payment for the last month of the fiscal year must be paid by 20 January of the following year.

In this section, advances that were due for a given month of the fiscal year are shown, even if they were not actually paid.

## Advances paid

In section L.2. of the PIT-36 tax return (items 312-323 and 338-350 as well as 364-375 and 390-402), advance payments that were actually made for particular accounting periods of the fiscal year are shown. As the indicated items of the tax return relate to advance payments made, the amounts shown therein may differ from the amounts indicated in the tax return items concerning advances due.

## Copyright and other rights

Revenue from copyright and other property rights includes:

- payment to the author for the transfer of ownership of an invention, topography of an integrated circuit, utility model, industrial design, trademark or decorative design,
- license fee for the transfer of the right to use an invention, topography of an integrated circuit, utility model, industrial design, trademark or ornamental design, received in the first year of the license term from the first entity with which the license agreement was concluded,
- exercising of copyright by creators and of the neighboring rights by performer-artists, within the meaning of other regulations, or disposing of said rights.

## Tax-deductible expenses at a 50% rate under copyright and other property rights

Tax-deductible expenses under:

- payment to the author for the transfer of ownership of an invention, topography of an integrated circuit, utility model, industrial design, trademark or ornamental design – in the amount of 50% of the revenue earned (Article 22(9)(1) of the Act),
- license fee for the transfer of the right to use an invention, topography of an integrated circuit, utility model, industrial design, trademark or decorative design, received in the first year of the license terms from the first entity with which the license agreement was concluded – in the amount of 50% of the revenue earned (Article 22(9)(2) of the Act),
- exercising of copyright by creators and of the neighboring rights by performer-artists, within the meaning of other regulations, or disposing of said rights – in the amount of 50% of the revenue earned, with the proviso that these expenses are calculated with respect to the revenue less old age and disability as well as sickness insurance premiums referred to in Article 26(1)(2)(b), assessed based on this revenue and withheld by the taxpayer in a given month (Article 22(9)(3) of the Act).

**Note! Total tax-deductible expenses referred to in Article 22(9)(1)-(3) of the Act may not exceed PLN 85,528 in the fiscal year.**

Where the exemption referred to in Article 21(1)(148) of the Act (youth relief) is applied, the amount of the total tax-deductible expenses referred to in Article 22(9)(1)-(3) of the Act, and revenue exempt from tax pursuant to Article 21(1)(148) of the Act, may not exceed PLN 85,528 in the fiscal year.

If the taxable person proves that tax-deductible expenses were higher than those indicated above (calculated at a 50% rate), tax-deductible expenses are recognized in the amount of actually incurred expenses.

Thus the taxable person may recognize expenses actually incurred, even if they exceed PLN 85,528. These expenses also include expenses incurred in the years preceding the fiscal year in which revenue corresponding to them was earned as well as expenses incurred in the year of the tax return submission, but not later than until the expiry of the deadline for submitting this tax return (Article 22(5) and Article 22(5a)(2) of the Act). In order to be entitled to deduct actually incurred expenses, the taxable person must be in possession of documents indicating the amount of expenses incurred, such as bills, invoices and other evidence documenting expenses incurred to earn revenue or maintain or secure the revenue source. All documents related to tax settlement should be kept until the tax liability expires.

## Sale of goods

Taxation together with other income applies also to the sale of movables, if they have been sold within six months of their purchase and they are not sold as part of business activity. The 6-month period starts running from the end of the month in which the purchase was made.

If the sale of movable property took place after the expiry of the aforementioned period, there is no tax obligation.

## Unregistered activity

Revenue from unregistered activity includes receivables received from the sale of goods or services.

Income is determined based on sales records. Once you commence unregistered activity, you are obliged to:

- keep simplified sales records,
- comply with consumer rights,
- issue invoices or bills at the request of the buyer.

Remember that the provisions on unregistered activity do not apply to partners of a civil partnership.

As part of unregistered activity, you may not perform regulated activity, i.e. activity that requires special permits, licenses, etc.

Income from unregistered activity has to be settled in the annual PIT-36 tax return (items 111-114 and 173-176). You are not required to pay income tax advances during the year. You can show in the annual tax return expenses incurred strictly in connection with the activity performed. These expenses should be documented, so you should keep all evidence related to your business.

Unregistered activity is a solution for those who:

- during the last 60 months have not performed any business activity **and**
- as part of this activity, they do not earn in any month income due in an amount in excess of 50% of the minimum wage.

It should be remembered that if income due from unregistered activity exceeds the permissible limit, an application for entry into the CEIDG (Central Registration and Information on Business) should be submitted from the next day. It has to be done within 7 days of exceeding this limit.

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## Other sources

**Revenue from other sources relate to taxable persons who:**

1. earned – through the agency of the taxpayer(s) – revenue in the form of, for example:

- receivables for membership in an agricultural production cooperative or other cooperative engaged in agricultural production,
- cash benefits from social insurance, including those paid by the employing establishment,
- payment for work payable to temporarily arrested or convicted persons,
- benefits paid from the Labor Funds and the Guaranteed Employee Benefit Fund,
- scholarship, including that referred to in Article 21(1)(40b) of the Act, in the amount exceeding the amount exempt from tax,
- integration benefits and an incentive integration bonus, granted under the Act of 13 June 2003 on social employment,
- remuneration payable under an employment support contract,
- cash benefits paid for graduate placements, referred to in the Act of 17 July 2009 on graduate placements, or student internships referred to in Article 121a of the Act of 14 December 2016 – Educational Law,

2. received PIT-11 with the completed section “Information on the amount of revenue referred to in Article 20(1) of the Act”,



3. are required to show the amounts previously deducted from income on account of expenses incurred for their own housing purposes or multi-family housing for rent, to which they are no longer entitled, i.e. in the case of:

- withdrawal of the housing or building contribution from the housing cooperative, that was made from 1 January 1992,
- complete change of the intended use of premises or residential building from residential to commercial,
- reimbursement of previously deducted expenses,
- withdrawal of accumulated savings from the housing fund, except where the withdrawn amount, following the systematic saving period specified in the contractual loan agreement, has been spent in accordance with the systematic saving objectives in an account kept by the fund,
- assignment of the entitlement to a savings and loan account to third parties, except for one's own or adopted children,
- occurrence of events related to the loss of the right to relief on account of multi-family housing for rent, referred to in Article 7(14) of the Act of 9 November 2000 amending the Personal Income Tax Act and certain other acts,

4. are obliged to add to their income the amounts previously deducted from the income or the tax base in connection with the receipt in the fiscal year of a refund (in whole or in part) of the deducted amounts (e.g. donations, social insurance premiums),

5. tax – using the tax scale – revenue listed in Article 29(1) of the Act, but this revenue has not been qualified as the sources listed in lines 1 - 4.

6. uzyskali przychody ze źródeł, od których płatnik i podatnik nie miał obowiązku odprowadzania zaliczek na podatek w ciągu roku,

The taxable person is not entitled to tax-deductible expenses in the case of revenue from:

- membership in an agricultural production cooperative or other cooperative engaged in agricultural production,
- cash benefits from social insurance,
- work payable to temporarily arrested or convicted persons,
- benefits paid from the Labor Funds and the Guaranteed Employee Benefit Fund,
- scholarships,
- integration benefits and an incentive integration bonus, granted under the Act on social employment,
- cash benefits paid for graduate placement or student internships.

**Information for taxable persons who received in 2021 a scholarship fully or partially exempt from tax pursuant to Article 21(1)(40b) of the Act.**

Pursuant to Article 2(1)(40b) of the Act, scholarships for pupils and students, whose amounts and the rules for their award are set out in a resolution of the decision-making body of the local government unit, as well as scholarships for pupils and students, awarded by the organizations referred to in Article 3(2) and (3) of the Act on public benefit and volunteer work, in accordance with regulations approved by their statutory bodies, made available to the public via the Internet, mass media or displayed (put up) for those interested in public spaces, are exempt from tax up to PLN 3,800 in the fiscal year.

## Information on capital gains

Revenue earned by taxable persons covered by an unlimited tax obligation, referred to in Article 3(1) of the Act, who earned interest income and discounts on securities, dividends and other revenue from share in the profits of legal persons and from participation in equity funds, from which the taxpayer withheld tax in accordance with Article 30a(2a) of the Act.

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## Tax additions

The obligation to show and add amounts previously deducted from tax applies to taxable persons who, for example:

1. took advantage of tax deductions for expenses incurred for their own housing needs, and then in the fiscal year:
    - withdrew the housing or building contribution from the cooperative,
    - completely changed the intended use of premises or a residential building from residential to commercial,
    - received a refund of the deducted expenses after the year in which they made the deductions, except where the refunded amounts were qualified as taxable revenue,
    - withdrew accumulated savings from the housing fund, except where the withdrawn amount, following the systematic saving period specified in the contractual loan agreement, has been spent in accordance with the systematic saving objectives in an account kept by the fund,
    - assigned the entitlement to a savings and loan account to third parties, except for one's own or adopted children,
    - sold the land or the right of perpetual usufruct of the land,
  2. are obliged to add to tax the amounts previously deducted from tax in connection with the receipt in the fiscal year of a refund (in whole or in part) of the deducted amounts (e.g. health insurance premiums).
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## Losses carried forward

Taxable persons who showed losses in 2016, 2017, 2018, 2019 or 2020 are entitled to their settlement in the tax return for 2021. Taxable persons are entitled to deduct such loss from income in the following five consecutive fiscal years.

If the loss arose by 31 December 2018, the deduction amount may not exceed 50% of the loss amount. The above rule for deducting losses is set out in Article 9(3) of the Act – with the wording in force until 31 December 2018 – and applies to losses incurred until the end of 2018.

It should be remembered that losses incurred after 31 December 2018 are deducted in accordance with different rules.

Pursuant to Article 9(3) of the Act – with the wording in force since 1 January 2019 – the taxable person may use the amount of a loss from a source of revenue, incurred in the fiscal year, to:

make a one-off reduction of the revenue obtained from this source in one of the following five consecutive fiscal years by an amount of up to PLN 5,000,000. The non-deducted amount is subject to settlement in the remaining years of this five-year period, but the reduction amount in any of these years may not exceed 50% of this loss amount.

A deduction can only be made from the source that generated the loss.

You can deduct a loss incurred, among others, from the following income sources:

- business activity,
- ordinary lease, usufructuary lease,
- sale of shares in companies,
- sale of securities, including the sale of borrowed securities (short sale),
- sale of derivative financial instruments and the exercise of rights arising therefrom,
- taking up shares in companies in exchange for a non-cash contribution in a form other than an enterprise or its organized part,
- taking up contributions in cooperatives in exchange for a non-cash contribution in a form other than an enterprise or its organized part,
- sale of plant and animal products from own crops, breeding or rearing, processed by way of non-industrial methods, referred to in Article 20(1c) of the Act, also if the above-mentioned revenue is subject to lump-sum tax on recorded revenue.

It is not possible to deduct losses incurred from:

- revenue sources generating income exempt from income tax;
- sale of real estate or a part thereof, a cooperative ownership right to an apartment or commercial premises, the right to a single-family house in a housing cooperative, as well as the right to perpetual usufruct of land;
- sale of goods;
- special branches of agricultural production, if for the period of the next five fiscal years income will not be determined in accordance with tax books – ledger or a book of revenue and expenses.

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## Income of minor children

If your child was a minor in the fiscal year 2021 and earned income, you must remember that, as a rule, this income should be added to the parents' income taxed on general terms. This obligation applies to parents regardless of whether they are biological or adoptive parents.

Income of a minor child to be added to the parents' income includes income from:

- domestic and foreign pensions (except for a survivor's pension),
- ordinary lease or usufructuary lease,
- property rights,
- other sources.

Therefore, if your child earned in the fiscal year income from the above-mentioned income sources, you should show this income in your PIT-36 tax return with PIT/M.

Spouses who are the parents of a minor child, regardless of the method of settlement (individually or jointly with the spouse), submit a separate PIT/M. PIT/M should include the first name and surname of the parent. Regardless of the number of children whose income the parent is obliged to add, each of the parents submits one PIT/M. The parent shows in it:

- revenue,
- tax-deductible expenses,
- income (or loss),
- advances due based on revenue earned by the minor child, subject to joint taxation with the parents' income.

After completing PIT/M, the parents transfer the income and the total of advances shown in to the appropriate items in the PIT-36 form.

The child's income is added to the income of the spouses who are their parents in half, unless a given parent is not entitled to receive proceeds from the child's sources of income. If neither parent has this right, neither of them adds to their income the amounts of income earned by the minor child. In the case of separation between the spouses who are the parents of a given child, the child's income is added to the income of the parent who is raising the child.

If a minor child earned in Poland revenue from:

- work,
- scholarships,
- income from items given them for free use (e.g. books, toys, small equipment),
- sale of real estate (this revenue may not be combined with other revenue, PIT-39 has to be submitted)

it should be settled on a separate tax return with the child's first name and surname. Such tax return is signed by you or your spouse (or the child's legal guardian).

## Pensions paid in Poland and abroad

If your minor child received in the fiscal year income from a pension paid in Poland or abroad that is taxable in Poland, you are obliged to add this income to your income. If your child has come of age in the fiscal year, you only add the income that they received before coming of age.

## Ordinary lease or usufructuary lease

If the parents have the right to the proceeds from the lease of real estate owned by their minor child, income from this source should be added to the parents' income.

As spouses are, as a rule, subject to separate taxation, the income of a minor child should be added in half to the income of each of the spouses who are the parents of that child.

Therefore, if your minor child has earned income or suffered a loss on account of ordinary or usufructuary lease of real estate or things belonging to them and taxation on general terms has been chosen, you have to show it in PIT/M and in PIT-36 together with your income.

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## Property rights

Article 18 of the Personal Income Tax Act provides that income from property rights includes, in particular, income from copyright and neighboring rights within the meaning of other regulations, rights to inventive designs, rights to the topography of integrated circuits, trademarks and ornamental designs, including the sale of these rights. It should be noted that this provision only mentions certain types of revenue, constituting a non-exhaustive list.

If the parents have the right to the proceeds from property rights held by their minor child, income from this source should be added to the parents' income. As spouses are, as a rule, subject to separate taxation, the income of a minor child should be added in half to the income of each of the spouses who are the parents of that child, as in this case, these are the parents that are taxable persons, not the minor child.

Therefore, if your minor child has earned income or suffered a loss on account of property rights held by them, you have to show it in PIT/M and in PIT-36 together with your income.

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## Other sources

Revenue from other sources includes, in particular: amounts paid after the death of a member of an open-ended pension fund to a person or a member of their immediate family designated by them, within the meaning of the provisions on the organization and operation of pension funds, amounts refunded from an individual pension security account and payments from an individual pension security account, including payments made to the entitled person in the event of the saver's death, cash benefits from social insurance, maintenance, scholarships, benefits received under a harvest help contract, subsidies (grants) other than those mentioned in Article 14 of the Personal Income Tax Act, surcharges, awards, and other gratuitous benefits not included in the revenue specified in Articles 12-14 and Article 17 of this Act.

These are only some examples of types of revenue from other sources, as their list is non-exhaustive.

If the parents have the right to the proceeds from proceeds from other sources owned by their minor child, income from these sources should be added to the parents' income. As spouses are, as a rule, subject to separate taxation, the income of a minor child should be added in half to the income of each of the spouses who are the parents of that child, as in this case, these are the parents that are taxable persons, not the minor child. Therefore, if your minor child has earned income or suffered a loss from other sources, you have to show it in PIT/M and in PIT-36 together with your income.

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## Your reliefs and deductions

Check what reliefs you are entitled to:

- Youth relief;
- Relief for transferred donations;
- Internet relief;
- Rehabilitation relief;
- Thermal modernization relief;
- Relief for payments to the individual pension security account (IKZE);
- Relief for refund of unduly received benefits;
- Child relief;
- Refund of unused child relief;
- Relief for training students or for employing apprentices;
- Relief for an employment support contract.

### Child relief

The taxable person is entitled to this relief if their income is taxed according to the tax scale.

For each calendar month in which with respect to a minor child:

1. the taxable person exercised parental authority,
2. the taxable person acted as a legal guardian, provided that the child lived together with the taxable person,
3. the taxable person held custody of the child as a foster family in accordance with a court decision or an agreement concluded with the staroste

the taxable person may deduct from tax an amount of:

- PLN 92.67 for the first and second child (PLN 1,112.04 for the entire year for each child),
- PLN 166.67 for the third child (PLN 2,000.04 for the entire year),
- PLN 225.00 for the fourth and each subsequent child (PLN 2,700.00 per child for the entire year).

The taxable person is not entitled to such deduction if they exercised parental authority, acted as a legal guardian or held custody by acting as a foster family only with respect to one minor child, and at the same time:

1. the taxable person was married for the entire tax year – the income earned by the taxable person and their spouse exceeded PLN 112,000 in the fiscal year,

2. the taxable person was single person, but was not a single parent (also for part of the fiscal year), and their income in the fiscal year exceeded PLN 56,000.

The income referred to above is understood as all income taxed on general terms (work, business activity taxed on general terms, capital gains) reduced by the amount of social insurance contributions paid by the taxable person or paid by the taxpayer.

The deduction applies jointly to both parents, legal guardians of the child or married foster parents. This amount may be deducted from tax in equal parts or in any proportion determined by them.

If in the same month, the child was under parental authority or was in custody of a legal guardian or a foster family, then for that month each taxable person may deduct 1/30 of the available deduction amount for each day of holding custody of the child.

In accordance with the above principles, a deduction is available also to those who, in connection with the performance of their maintenance obligations and in connection with acting as a foster family, maintained in the fiscal year an adult child:

- who, in accordance with other regulations, received an attendance allowance (benefit) or a social pension,
- up to the age of 25, studying in a school referred to in the regulations on the education system, regulations on higher education and science or in the regulations governing the education system or higher education in force in a country other than Poland, if the adult child did not earn in the fiscal year income taxable on general terms or earned tax-exempt revenue under "Youth relief" in the total amount exceeding PLN 3,089, with the exception of a survivor's pension.

A deduction is not available to persons whose children run business activity taxed at a 19% tax rate or subject to lump-sum tax on recorded revenue, or pay a fixed amount tax, or are subject to the provisions of the Tonnage Tax Act or the Act on the activation of the shipbuilding industry and complementary industries.

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## Refund of unused child relief

If the tax amount was insufficient to take advantage of the full amount of child relief, the taxable person is entitled to an "additional refund". A deduction can be made from the social and health insurance premiums shown in the return. When making a deduction, the taxable person may also take into account premiums deducted from exempt income, but they are not entitled to take into account premiums deducted in other tax returns (e.g. PIT-36L, PIT-28 or PIT-16A).

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## Youth relief

"Youth relief" is available to taxable persons who in the period from 1 January 2021, but not later than until they turned 26, earned:

1. revenue under employment and related relationships, shown by the taxpayer in PIT-11,
2. revenue earned under contracts of mandate, referred to in Article 13(8) of the Act, shown the taxpayer in PIT-11,
3. revenue from graduate placement and student internships.

Revenue listed in points 1-3 is eligible for tax exemption in 2021 in a total amount of up to PLN 85,528; when determining this amount, revenue subject to lump-sum income tax, revenue exempt from income tax and revenue on which tax collection has been waived pursuant to the provisions of the Tax Code is not taken into account.

The exemption applies also to revenue from which the taxpayer withheld a tax advance during the year.

Note: foreign revenue settled in accordance with the proportional deduction method is taxable in Poland, thus it can be taken into account when calculating the amount of revenue exempt under youth relief.

The provisions introducing "Youth relief" do not provide guidelines on how it is to be applied, in particular, they do not specify the hierarchy of revenue to which this relief applies. Thus the taxable person may decide themselves how to use this relief.

**Note! If the taxable person earns in the fiscal year only revenue that is exempt from tax pursuant to Article 21(1)(48), they are not required to submit a tax return.**

Any excess revenue from any source over the tax-exempt amount is taxable.

The exemption affects the amount of tax-deductible expenses that the taxable person (spouse, respectively) may deduct from the above-mentioned revenue.

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## Rehabilitation relief

Expenses for rehabilitation and expenses for facilitating bodily functions incurred in the fiscal year by a taxable person with disabilities or a taxable person with dependent persons with disabilities. Tax-deductible expenses include expenses on:

- adaptation and equipment of apartments and residential buildings to meet the needs resulting from disability,
- adaptation of motor vehicles to the needs resulting from disability,
- purchase, repair or rental of medical devices included in the list of medical devices specified in regulations issued under Article 38(4) of the Act on the reimbursement for medicines, foodstuffs for special nutritional uses and medical devices, as well as equipment enabling their use as intended, with the exception of pull-up pants, anatomical adult diapers, absorbent panties, underlays and anatomically shaped inserts,
- purchase, repair or rental of personal equipment, devices and technical tools necessary for rehabilitation and facilitating bodily functions, according to the needs resulting from disability, and equipment enabling their use, that are not included in the list of medical devices specified by the Minister of Health, with the exception of household appliances,
- purchase of pull-up pants, anatomical adult diapers, absorbent panties, underlays and anatomically shaped inserts for up to PLN 2,280 in the fiscal year,
- purchase of publications and training materials (aids), according to the needs resulting from disability,
- payment for a stay at a rehabilitation camp,



- payment for the stay of the carer of a disabled person qualified to disability group I or of disabled children up to 16 years of age, staying with a disabled person at a rehabilitation camp, in a health resort treatment facility or medical rehabilitation facility,
- payment for rehabilitation or therapeutic and rehabilitation treatment,
- payment for the stay in a health resort treatment facility, medical rehabilitation facility, care and treatment facility, nursing and care facility, and payment for rehabilitation treatment,
- payment for guides for the blind in the 1st or 2nd disability group and persons with motor disabilities in the 1st disability group, in an amount of up to PLN 2,280 in the fiscal year,
- maintenance of an assistance dog referred to in the Act of 27 August 1997 on vocational and social rehabilitation and employment of the disabled, in an amount of up to PLN 2,280 in the fiscal year,
- home nursing care for a disabled person in the period of a chronic disease that makes it impossible for them to move and care services provided to the disabled in the 1st disability group,
- payment for a sign language interpreter,
- summer camps and camps for children and adolescents with disabilities and disabled persons' children under 25 years of age,
- medicines in the amount being the difference between the expenses actually incurred in a given month and PLN 100, if a medical specialist determines that a disabled person should take certain medicines permanently or temporarily,
- chargeable, necessary transport to required medical and rehabilitation treatments:
  1. of a disabled person in a medical transport ambulance,
  2. of a disabled person included in the 1st or 2nd disability group, and of disabled children up to 16 years of age, also by means of transport other than a medical transport ambulance,
- use of a passenger car owned (jointly owned) by a disabled person or a taxable person with a dependent disabled person or a disabled child under the age of 16, in an amount of up to PLN 2,280 in the fiscal year,
- chargeable travel by public transport related to a stay:
  1. at a rehabilitation camp,
  2. in a health resort treatment facility, medical rehabilitation facility, care and treatment facility, and a nursing and care facility,
  3. at camps for children and adolescents with disabilities and disabled persons' children under 25 years of age,

The deduction does not apply to those expenses that have been financed (co-financed) from a company fund for the rehabilitation of the disabled, a company activity fund, the State Fund for the Rehabilitation of the Disabled or the National Health Fund, a company social benefit fund, or have been refunded to the taxable person in any form. If the expenses were partially financed (co-financed) from these funds, the difference between the expenses incurred and the amount financed (co-financed) from these funds or refunded in any form may be deducted.

For the above-mentioned expenses to be deducted, the person to whom they relate should, as a rule, be in possession of documents confirming that these expenses have been made and one of the following decisions:

1. a decision on the qualification by the evaluating bodies to one of the three degrees of disability, specified in other regulations,
2. a decision on granting disability pension due to total or partial inability to work, a training pension or a social pension,,
3. a decision ascertaining the disability of a person who is under 16 years of age, issued under other provisions,
4. a disability certificate, issued by the competent authority under other provisions in force until 31 August 1997.

In the case of deductions limited to PLN 2,280 (for example, for the maintenance of an assistance dog, payment for a guide for a blind person in the 1st or 2nd disability group), it is not required to have documents confirming their amount, however, at the request of the tax authorities, the taxable person has to provide evidence necessary to determine the entitlement to the deduction, in particular:

1. indicate the first name and surname of the persons paid for their assistance as a guide;
2. show a certificate confirming the assistance dog status.

In the case of a deduction for the purchase of pull-up pants, anatomical adult diapers, absorbent panties, underlays and anatomically shaped inserts, the taxable person must be in possession of an invoice confirming the expense incurred.

Deductions of expenses for rehabilitation purposes and those related to facilitating bodily functions may be made also by taxable persons with dependent persons with disabilities: spouse, one's own or adopted children, foster children taken in for upbringing, stepchildren, parents, spouse's parents, siblings, stepfather, stepmother, and sisters and brothers-in-law if the income of these disabled persons did not exceed PLN 15,010.56 in the fiscal year.

**Note:**

When calculating the income of a disabled person – to determine whether they are dependent on another person – the following are not taken into account:

1. financial maintenance of children:
  - a. who are minor,
  - b. of any age, who, in accordance with other regulations, received an attendance allowance (benefit) or a social pension,
  - c. under 25 years of age, if they study at primary, secondary or higher schools, in Poland and abroad – if in the fiscal year they did not earn taxable income on general terms, capital gains or earned tax-exempt revenue as part of “youth relief”, in the total amount exceeding PLN 3,089. The total of this income does not include exempt revenue, e.g.: financial maintenance, scholarship or a survivor's pension.
2. thirteenth old age pension,
3. supplementary benefit, and
4. attendance allowance.

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**Internet relief**

As part of this relief, expenses for using the Internet incurred in the fiscal year can be deducted, regardless of the place and form of its use, e.g. at home (fixed connection, wireless connection, including via mobile devices) and in an internet cafe. This relief is available to taxable persons who have never taken advantage of this deduction before and are in possession of a document confirming that the expense on this account has been made (e.g. bank transfer, proof of payment, certificate).

The deduction can be made in up to two consecutive fiscal years. The maximum deduction for the fiscal year cannot exceed PLN 760.

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## Thermal modernization relief

This relief involves deducting from income expenses incurred for the implementation of a thermal modernization project in a single-family residential building.

The relief is available for the owner or co-owner of a single-family residential building (also a terraced or semi-detached house).

A thermal modernization project may consist in:

- improvement that reduces the energy demand for heating domestic hot water and residential buildings;
- improvement resulting in a reduction in primary energy losses in local heating networks and local heat sources supplying these networks, if the residential buildings to which energy is supplied from these networks meet the energy saving requirements specified in the provisions of the construction law, or measures have been taken to reduce the consumption of energy supplied to these buildings;
- making a technical connection to a centralized heat source in connection with the elimination of a local heat source, as a result of which the costs of generating heat supplied to residential buildings are reduced;
- complete or partial conversion of energy sources to renewable sources or the use of high-efficiency cogeneration.

**Thermal modernization relief may not be used in the case of a building under construction.**

Tax-deductible expenses include expenses that:

- are listed in the Appendix to the Regulation of the Minister of Investment and Development of 21 December 2018 on the list of types of building materials, devices and services related to the implementation of thermal modernization projects,
- relate to a thermal modernization project that will be completed within 3 consecutive years, counting from the end of the fiscal year in which the taxable person made the first expense,
- have been documented with an invoice issued by a VAT taxable person not exempt from this tax,
- have not been financed (co-financed) by the National Fund for Environmental Protection and Water Management or voivodship funds for environmental protection and water management or refunded to the taxable person in any form,
- have not been recognized as tax-deductible expenses, deducted from revenue under the Act on lump-sum income tax on certain revenue earned by natural persons or accounted for by the taxable person to take advantage of tax reliefs within the meaning of the Tax Code.

**If the expenses incurred were subject to VAT, the expense amount is understood as the expense plus with this tax, provided that VAT has not been deducted pursuant to the Value Added Tax Act.**

A deduction is made in the tax return for the fiscal year in which the expense was incurred.

A deduction amount that was greater than the taxable person's income (revenue) for a given fiscal year is deductible in subsequent years, but not longer than for 6 years from the end of the fiscal year in which the first expense was made.

A deduction amount may not exceed PLN 53,000 for all implemented thermal modernization projects in particular buildings owned or co-owned by the taxable person.

If the project is not completed within a three-year period, the relief must be refunded, which means that the amounts previously deducted on this account will be added to the income (revenue) for the fiscal year in which the three-year period expired.

If, after the year in which the relief was applied, the deducted expenses for the implementation of a thermal modernization project were refunded, the amounts previously deducted should be added accordingly to the income (revenue) in the tax return submitted for the fiscal year in which the refund was made.

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## Student relief

Relief for training students or for employing apprentices can be applied in accordance with the acquired rights principle, provided that the conditions entitling to it were met before the end of 2003. This relief is granted based on a decision issued by the tax office. A deduction can be applied to amounts awarded before 1 January 2006 and not deducted, as well as amounts of reliefs granted under regulations in force after 1 January 2006.

The relief consists in reducing income tax by the amount specified in a decision issued by the tax office.

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## Employment support contract

A deduction is available to a person running a household who, in accordance with the provisions of the Act of 20 April 2004 on employment promotion and labor market institutions, concluded an employment support contract with an unemployed person for performing gainful employment in the household, and paid social insurance premiums on this account with own funds. A deduction is available after each period of 12 consecutive months of this contract term, provided that:

- the concluded employment support contract has been registered with the poviát labor office, and the fact of its conclusion is confirmed by a certificate,
- incurred expenses have been documented with evidence confirming that they were made.

Expenses incurred by a person running a household to pay with their own funds social insurance premiums of a person employed under an employment support contract, specified in the Act of 13 October 1998 on the social insurance system, are deductible.

The deduction is made in the tax return filed for the fiscal year in which the 12-month period of uninterrupted duration of the employment support contract has expired.

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## Refund of unduly received benefits

A refund of unduly collected benefits that previously increased taxable income is deducted from income (in amounts including tax), if these were not withheld by the taxpayer.

Taxable persons who in the years: 2016, 2017, 2018, 2019 or 2020 refunded unduly collected benefits and the amount of these refunds was not covered by their income for those years, have the right to deduct this amount from income earned in 2021. Refunds made in the fiscal year are also deductible..

## Housing reliefs

### Housing relief applies to expenses incurred:

1. to repay interest on a housing loan granted to the taxable person in 2002-2006, as well as interest on a loan granted to the taxable person for the repayment of a housing loan or a loan for the repayment of these loans;
2. to continue the systematic accumulation of savings only in one savings and loan account and with one bank running a housing fund;
3. to repay (with interest) a bank loan or a loan from the employing establishment, received in 1992-1993 for housing purposes specified in Article 26(1)(5) and (6) of the Personal Income Tax Act of 26 July 1991 in the version in force in those years,
4. in previous years, for housing purposes (including renovation or modernization of a house/apartment), if these expenses were not covered, respectively, by the income, revenue or tax for those years.

### Interest relief

Pursuant to Article 9(1) of the Act of 16 November 2006 amending the Personal Income Tax Act and certain other acts:

*"a taxable person who was granted a loan referred to in Article 26b of the Act in the version in force before 1 January 2007, hereinafter referred to as a "housing loan", in 2002-2006, is entitled – on the terms specified in this Act and in the Act on lump-sum income tax on certain revenue earned by natural persons, in the version in force before 1 January 2007 – to deduct expenses made to repay interest on:*

1. *a housing loan,*
2. *a loan taken out to repay a housing loan,*
3. *each subsequent loan taken out to repay the loan referred to in subparagraphs 1 or 2*

*– until the repayment deadline specified in a housing loan agreement concluded before 1 January 2007, but for no longer than until 31 December 2027."*

The "housing loan" referred to above is a loan granted directly to the taxable person (and not, for example, to the developer or the housing cooperative) in 2002-2006 to finance an investment aimed at satisfying one's own housing needs related to:

1. construction of a residential building, or
2. provision of a construction or housing contribution to a housing cooperative for the acquisition of the right to a newly constructed residential building or an apartment in such building, or

3. the purchase of a newly built residential building or an apartment in such building from the gmina or from the person who has built this building in the course of their business activity, or
4. building a superstructure or extension of a building for residential purposes, or reconstruction (adaptation) of a non-residential building, its part or non-residential premises for residential purposes, as a result of which an autonomous apartment that meets the standards specified in the provisions of the construction law will be created.

As part of interest relief, both actually repaid interest on a housing loan and on a loan taken to repay the housing loan and on each subsequent loan taken to repay the aforementioned liabilities is deductible.

If a loan – granted to the taxable person to repay a housing loan or a loan taken to repay a housing loan and each subsequent loan taken to repay the aforementioned liabilities – is part of a loan intended to repay also loan liabilities other than those listed in this provision, only the interest on that part of the loan that is proportionally due to the repayment of the loan taken to repay the housing loan and each subsequent loan taken to repay the aforementioned liabilities, is deductible.

A taxable person who has completed a housing investment in 2020 may deduct interest on a loan for the first time in the tax return submitted for that fiscal year, and interest paid before the year of the investment completion (if it is not deducted from the income for 2020) may be deducted also in the next fiscal year. In this case, only the difference between the total of the deductible interest and the amount of interest actually deducted in the year in which the taxable person made the first deduction is deductible.

A deduction can be made if, among others:

- a housing loan was granted in 2002-2006,
- a housing loan was granted by an entity authorized under the provisions of banking law or the provisions on cooperative savings and credit unions to grant loans, and the loan agreement indicates that it relates to one of the investments listed in PIT-2K,
- a loan granted to repay a housing loan or any subsequent loan taken to repay these loans has been taken out at banks or savings and credit unions operating in all countries of the European Union, the European Economic Area, and the Swiss Confederation,
- the investment concerns residential buildings or apartments located on land in the Republic of Poland intended for housing construction in the local spatial development plan, and in the absence thereof – specified as such in a decision on building conditions and land development, issued under applicable laws,
- the investment concerns a residential building or an apartment, the construction of which was completed not earlier than in 2002, and also in the case of an investment related to:
  - building a residential building or building a superstructure or the extension of a building for residential purposes, or reconstruction (adaptation) of a non-residential building, its part or non-residential premises for residential purposes, as a result of which an autonomous apartment that meets the standards specified in the provisions of the construction law will be created – the investment was completed within three years, counting from the end of the calendar year in which, in accordance with the construction law, a permit for building a residential building or building a superstructure or the extension of a building for residential purposes or for reconstruction (adaptation) of a non-residential building, its part or non-residential premises for residential purposes was obtained, and was confirmed with an occupancy permit for a residential building, as specified in the provisions of the construction law, and if such permit is not required – a notification of completion of the construction of such building,

- provision of a construction or housing contribution to a housing cooperative for the acquisition of the right to a newly constructed residential building or an apartment in such building, or the purchase of a newly built residential building or an apartment in such building from the gmina or from the person who has built this building in the course of their business activity – an agreement on the establishment of a cooperative ownership or tenant right to the apartment, or an agreement in the form of a notarial deed establishing separate ownership of the apartment, on the transfer of ownership of the residential building or the apartment to the taxable person was concluded, one of the parties to which is the taxable person,
- interest:
  - has been actually paid, and its amount and payment date are documented by a proof issued by an entity authorized under the provisions of banking law or the provisions on cooperative savings and credit unions to grant loans,
  - has not been recognized as tax-deductible expenses or has not been refunded to the taxable person in any form, unless the refunded interest increased the tax base,
- the taxable person or their spouse did not or does not take advantage of a deduction from income (revenue) or tax on account of expenses incurred for their own housing purposes, intended for: purchase of land or transfer of the right of perpetual usufruct of land for the construction of a residential building, construction of a residential building, a construction or housing contribution to a housing cooperative, purchase of a newly built residential building or an apartment in such building from the gmina or from the person who has built this building in the course of their business activity, building a superstructure or the extension of a building for residential purposes, reconstruction of the attic, drying room or adaptation of other room for residential purposes as well as finishing an apartment in a newly built residential building, until the apartment is occupied, systematic accumulation of savings on a savings and loan account with a bank running a housing fund.

A deduction is possible only for interest:

- accrued for the period from 1 January 2002 and paid since then,
- on that part of the loan that does not exceed the amount of the product of 70 m<sup>2</sup> of usable area and the conversion factor of 1 m<sup>2</sup> of usable floor area of a residential building, established to calculate a guarantee premium on contributions to housing savings books for the third quarter of the year preceding the fiscal year, determined for the year of the investment completion. In 2021, this amount is PLN 349,090. Hence, if the taxable person took out a loan in 2002-2006 in the amount of e.g. PLN 350,000, and completed the housing investment in 2021, they may deduct from income in the tax return submitted for this year the actually paid interest in the part attributable to the loan in the amount of PLN 349,090, i.e. in the percentage that will be obtained by dividing the limit amount (PLN 349,090) by the total loan amount (PLN 350,000) x 100.

It should also be remembered that:

- the amount of deductions applies to both spouses jointly.  
If the spouses settle tax separately – deductions are made in accordance with applications contained in annual tax returns, or from the income of each spouse, in the proportion indicated in the application, or from the income of one of them.
- the taxable person attaches to the tax return submitted for the year in which deductions under interest relief are made for the first time, a statement on the amount of all expenses incurred with respect to a given investment, including the amount of expenses documented with invoices issued by VAT taxable persons not exempt from this tax – PIT-2K. In this statement, the taxable person (and in the case of joint settlement – both the husband and wife) is required to indicate, besides providing identification data, also:

- the year in which they obtained the housing loan,
- the amount of the loan,
- the year of commencement and completion of the housing investment for which the taxable person took out a loan,
- the type of the investment,
- the total amount of expenses related to the investment,
- the amounts of expenses documented with invoices issued by VAT taxable persons exempt not from this tax,
- no deduction is available to a taxable person who has taken out a housing loan on the terms set out in the Act of 8 September 2006 on financial support of families in purchasing their own apartments – paragraph 2 of the aforementioned Article 9 of the Act of 16 November 2006 amending the Personal Income Tax Act and certain other acts.

**Note! The information provided above does not fully reflect the wording of Article 26b of the Act, in force before 1 January 2007, read together with Article 9 of the Act of 16 November 2006 amending the Personal Income Tax Act and certain other acts. Therefore, before a deduction in the tax return is made, it is advisable to read all the regulations concerning the relief concerned, contained in the above-mentioned provisions.**

### Reliefs deducted in accordance with the acquired rights principle

Taxable persons who in the fiscal year repaid (with interest) a bank loan or a loan from the employing establishment received in 1992-1993 for housing purposes specified in Article 26(1)(5) and (6) of the Act in the version in force in those years, and did not incur housing expenses, but deduct expenses incurred and deductible in previous years, in the part in which these expenses were not covered by the income (revenue) for those years.

One should specify the type of housing expense and the amount deducted accordingly. However, the deduction amount cannot be higher than the amount of the deduction limit applicable in a given fiscal year. This limit is calculated as the difference between the deduction limit available to the taxable person in the period when the provisions of the Act were in force (i.e. starting from 1992) and the deduction limit used in previous years.

**Note! Do not enter expenses incurred in the fiscal year to repay debt due to loans for housing construction contracted by housing co-operatives by 31 May 1992. The relief in question expired at the end of 1999 (deduction from income), respectively at the end of 2004 (deduction from tax).**

### Housing fund



A tax deduction for the systematic accumulation of savings in one savings and loan account and with one bank that runs a housing fund is available to taxable persons who concluded a contractual loan agreement with a bank running a housing fund on the systematic accumulation of savings, in accordance with the rules set out in the provisions on certain forms of support for housing construction, and acquired, before 1 January 2002, the right to deduct from tax expenses incurred for the purpose specified in Article 27a(1)(2) of the Act, in the version in force before 1 January 2002, are entitled to deduct, on the term set out in that act, further amounts of savings paid to continue the systematic accumulation of savings only on the same savings and loan account and with the same bank running a housing fund, paid from 1 January 2002 until the expiry of the period of the systematic accumulation of savings, specified in the contractual loan agreement.

The deduction amount may not exceed 30% of the expenses incurred in the fiscal year, but not more than PLN 11,340. It should be checked at this point whether the amount deducted does not exceed the deduction limit available in the fiscal year, calculated as the difference between the deductions limit set out for the years when the provisions of the Act were in force (i.e. from 1992) and the deduction limit used in previous years. Persons who also make deductions related to interest repaid in the fiscal year on a bank loan or a loan from the employing establishment, received in 1992-1993 for housing purposes (falling within the concept of the so-called large construction relief), should additionally reduce the above-mentioned deduction limit determined for the years when the provisions of the Act were in force by 19% of this interest.

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### **Housing expenses not deducted in previous years**

Taxable persons who in previous years made tax deductions for housing expenses (also as part of renovation and modernization relief), but the deduction they were entitled to was not covered by the tax for those years, may increase the tax deduction they are entitled to in the fiscal year by the uncovered amount.

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### **Payments to the individual pension security account (IKZE)**

The amount of payments to IKZEs is specified in Article 13a(1)-(4) of the Act of 20 April 2004 on individual retirement accounts and individual retirement security accounts. Pursuant to these provisions, payments made to the IKZE may not exceed the amount equivalent to 1.2 times the average forecast monthly salary in the national economy for a given year specified in the Budget Act or the Provisional Budget Act or in drafts thereof, if the relevant acts have not been enacted. In 2021, this limit is PLN 6,310.80.

In the case of persons running business activity in the form of self-employment (non-agricultural activity, within the meaning of Article 8(6) of the Act of 13 October 1998 on the social insurance system), the maximum limit of payments to IKZEs is higher and amounts to 1.8 times the average monthly salary, i.e. PLN 9,466.20 for 2021).

### **Refund of funds**

Amounts refunded from the IKZE constitute revenue from other sources, taxed according to the tax scale. Revenue from a refund from the IKZE is shown in the annual tax return.

Payments made to the IKZE by a minor may not exceed the income earned by them in a given year from work performed under an employment contract, nor may they be higher than the amount of the annual limit.

If, in the period from 1 January 2012 to 31 December 2012, the saver transferred the funds accumulated in an individual retirement account (IKE) to an individual retirement security account (IKZE), these funds are considered a payment to the IKZE. This contribution was deductible from income within the limit applicable in the fiscal year 2012. The excess over the deduction limit applicable in this year is deductible in the following years. However, the saver must remember that during the period in which they deduct from income funds transferred from the IKE to the IKZE, they are not entitled to make payments to the IKZE.

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## Donations

Check what donations you are entitled to deduct:

- for public benefit purposes,
- for religious worship purposes,
- blood donation,
- for vocational training purposes,
- for the purpose of reconstruction of the Saski Palace, Brühl Palace and tenement houses on Królewska Street in Warsaw,
- for purposes related to counteracting the effects of COVID-19,
- for computer equipment in the form of laptops and tablets,
- donations under other acts.

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### Donations for public benefit purposes

Donations may be deducted from the tax base for numerous purposes specified in the provisions of the Act of 24 April 2003 on public benefit and volunteer work. The aim is, among others, to support families and people in a difficult life situation, charity activities and activities for the benefit of the disabled, protection and promotion of health or science, higher education and general education.

A donation can be received by:

- non-governmental organizations (e.g. foundations and associations) that are not entities of the public finance sector and do not operate for profit, and, among others, churches, associations of local government units or social cooperatives, or
- equivalent organizations specified in the provisions regulating public benefit activities in force in a country of the European Union (EU) or the European Economic Area (EEA) other than Poland, carrying out public benefit activities in the area of public tasks and implementing specific goals.

The amount of a donation actually made is deductible up to 6% of the donor's income.

This limit includes deductions of donations for the purposes of religious worship, on account of honorary blood donation, vocational training, and the reconstruction of the Saski Palace, Brühl Palace and tenement houses on Królewska Street in Warsaw.

If the donation relates to goods subject to VAT, the amount of the donation is understood as the value of the goods plus VAT – in the part exceeding the amount of the input tax that the taxable person has the right to deduct in accordance with the provisions on VAT on account of this donation.

In the case of a donation to an organization specified in the regulations governing public benefit activities in another EU or EEA country, the taxable person is entitled to make a deduction provided that:

- the taxable person presents a representation of this organization that as at the date of the donation, it was an organization equivalent to an organization operating under Polish provisions on public benefit activities and volunteer work, implementing specified goals,
- there are legal grounds under a double taxation avoidance agreement or other ratified international agreements to which Poland is a party, for the tax authority to obtain tax information from the tax authority in the country where the organization has its registered office.

Non-deductible donations:

- donations for the benefit of natural persons,
- donations for legal persons and organizational units without legal personality, conducting business activity consisting in the production of consumer electronics, fuel, tobacco, spirits, wine and beer, as well as other alcoholic products with an alcohol content above 1.5%, and products made of precious metals or including these metals, or trade in these products,
- donations returned in any form,
- donations classified as tax-deductible expenses,
- donations deducted from revenue or income in another tax return (e.g. PIT-28, PIT-37).

A donation must be documented with:

- proof of payment to the donee's payment account or its bank account other than a payment account – in the case of a cash donation,
- proof of the donor's identification data and the value of the donation, along with the donee's representation on its acceptance – in the case of a non-monetary donation.

A deduction in the fiscal year is made when:

- tax advances are calculated by taxable persons who earn income from business activity, ordinary, lease, and usufructuary lease, that is taxed according to the tax scale,
- monthly (quarterly) lump-sum tax on recorded revenue is calculated.

The annual tax return should include the amount (value) of the donation made, the amount (value) of the donation deducted, and the donee's identification data.

**Donations for religious worship purposes**

Donations for religious worship purposes may be deducted from income.

The amount of a donation actually made is deductible up to 6% of the donor's income.

This limit includes deductions of donations for the purposes specified in the Public Benefit Activity Act, on account of honorary blood donation, vocational training, and the reconstruction of the Saski Palace, Brühl Palace and tenement houses on Królewska Street in Warsaw.

If the donation relates to goods subject to VAT, the amount of the donation is understood as the value of the goods plus VAT – in the part exceeding the amount of the input tax that the taxable person has the right to deduct in accordance with the provisions on VAT on account of this donation.

A deduction is not possible in the case of:

- donations for the benefit of natural persons,
- donations for legal persons and organizational units without legal personality, conducting business activity consisting in the production of consumer electronics, fuel, tobacco, spirits, wine and beer, as well as other alcoholic products with an alcohol content above 1.5%, and products made of precious metals or including these metals, or trade in these products,
- donations returned in any form,
- recognized as tax-deductible expenses,
- donations deducted from revenue or income in another tax return (e.g. PIT-28, PIT-37).

A donation must be documented with:

- proof of payment to the donee's payment account or its bank account other than a payment account – in the case of a cash donation,
- proof of the donor's identification data and the value of the donation, along with the donee's representation on its acceptance – in the case of a non-monetary donation.

The annual tax return should include the amount (value) of the donation made, the amount (value) of the donation deducted, and the donee's identification data.

**Blood donation**

Blood donations by honorary blood donors are deductible from income/revenue.

The relief is due in the amount of PLN 130 multiplied by liters of donated blood or its components. The amount of a donation actually made is deductible up to 6% of the donor's income/revenue.

This limit includes deductions of donations for the purposes of religious worship, public benefit activity, vocational training, and the reconstruction of the Saski Palace, Brühl Palace and tenement houses on Królewska Street in Warsaw.

Donations recognized as tax-deductible expenses or deducted from revenue or income in other tax return (e.g. PIT-28, PIT-37) are not deducted in PIT-36.

The amount of the donation should be documented with a certificate from the organizational unit implementing tasks in the area of blood donation.

The certificate should specify the amount of blood or its components donated free of charge.

A taxable person who deducts a donation is required to specify in the tax return the amount of the donation, the amount of the deduction, and the data enabling the identification of the relevant organizational unit that performs tasks in the area of blood collection.

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### **Donations for vocational training purposes**

Donations for vocational training purposes, provided in the form of teaching materials or fixed assets, are deductible, except for teaching materials or fixed assets that are not complete, usable or older than 12 years.

A donation can be received by:

- public schools providing vocational education,
- public institutions and centers.

A deduction is available only to taxable persons who earn revenue from non-agricultural business activity and are taxed on general terms according to the tax scale or at a 19% tax rate or with a lump-sum tax on recorded revenue.

The amount of a donation actually made is deductible up to 6% of the income/revenue. This limit includes deductions of donations for public benefit purposes, purposes of religious worship, and on account of honorary blood donation.

If the donation relates to goods subject to VAT, the amount of the donation is understood as the value of the goods plus VAT – in the part exceeding the amount of the input tax that the taxable person has the right to deduct in accordance with the provisions on VAT on account of this donation.

A deduction is not possible in the case of:

- donations for the benefit of natural persons,
- donations for legal persons and organizational units without legal personality, conducting business activity consisting in the production of consumer electronics, fuel, tobacco, spirits, wine and beer, as well as other alcoholic products with an alcohol content above 1.5%, and products made of precious metals or including these metals, or trade in these products,
- donations returned in any form,
- donations recognized as tax-deductible expenses,
- donations deducted from revenue pursuant to the Act on lump-sum income tax on certain revenue earned by natural persons,
- donations previously deducted from income.

A donation should be documented with proof with the donor's identification data and the value of the donation, along with the donee's representation on its acceptance

The annual tax return should include the value of the donation made, the value of the donation deducted, and the donee's identification data.

### **For the purpose of reconstruction of the Saski Palace, Brühl Palace and tenement houses on Królewska Street in Warsaw**

The right to make a deduction covers donations made from 8 September 2021, i.e. from the date of entry into force of the act on the preparation and implementation of the above-mentioned projects. In accordance with this act, the objectives related to the reconstruction of the Saski Palace, Brühl Palace and tenement houses on Królewska Street in Warsaw are implemented by a special purpose vehicle. It is a limited liability company established by the State Treasury.

The amount of a donation actually made is deductible up to 6% of the income. This limit includes deductions of donations for public benefit purposes, purposes of religious worship, on account of honorary blood donation, and vocational training.

### **Donations for counteracting COVID-19**

A deduction applies to donations made in the fiscal year to:

- entities performing medical activities, entered on the list referred to in Article 7 of the COVID-19 Act,
- Agency for Strategic Reserves for the purpose of performing its statutory tasks,
- Central Base of Sanitary and Anti-Epidemic Reserves for the purpose of performing its statutory tasks,,
- homes for mothers with underage children and pregnant women, night shelters, shelters for the homeless, including those with care services, support centers, family nursing homes, and social welfare homes referred to in the Act on social assistance,
- Chief Sanitary Inspectorate for the purpose of performing its statutory tasks.

In the case of donations made in 2021:

- from January to the end of March, a deduction can be made in an amount corresponding to 150% of the donation value,
- from April to the end of the month in which the state of the epidemic declared due to COVID-19 was cancelled – a deduction can be made in an amount corresponding to 100% of the donation value.

### **Donations in the form of tablets and laptops**

A deduction applies to donations made in the fiscal year to:

- authorities managing educational institutions listed in Article 52x(2) and Article 57e of the Act on lump-sum income tax, in particular schools, universities, care and educational institutions,

- organizations referred to in Article 3(2) and (3) of the Act on public benefit and volunteer work, or the operator of the National Educational Network, for the purpose of further free transfer to the authorities running educational institutions or to educational institutions.

A deduction is possible if the donation covers complete, usable portable computers (tablets, laptops), manufactured not earlier than 3 years before the date of their transfer.

In the case of donations made in 2021:

- from January to the end of March, a deduction can be made in an amount corresponding to 150% of the donation value,
- from April to the end of the month in which the state of the epidemic declared due to COVID-19 was cancelled – a deduction can be made in an amount corresponding to 100% of the donation value.

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### Donations under other acts

Donations under other acts are deducted from the tax base.

These are donations to charity and care activities carried out by church that are fully deductible. The value of a donation actually made can be deducted.

The right to their deduction is provided for in acts regulating the relationship of the state to particular churches, e.g. the Act of 17 May 1989 on the relationship of the state to the Catholic Church in the Republic of Poland.

The donee should provide the donor with:

- confirmation of the receipt of the donation, required by the donor at the time of the deduction, and
- a report on the allocation of the donation to charity and care activities carried out by the church (within two years of the donation receipt).

The donor may only deduct donations whose amount is documented with:

- proof of payment to the donee's payment account or its bank account other than a payment account – in the case of a cash donation,
- document indicating the donor's identification data and the value of the donation, along with the donee's representation on its acceptance – in the case of a non-monetary donation.

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### Abolition relief

Income tax can be reduced by deducting the amount that is the difference between tax calculated by applying the proportional deduction method to income from work earned abroad and the amount of tax calculated by applying to this income exclusion with progression. The right to reduce tax in this way is provided for in Article 27g of the Personal Income Tax Act.

The relief is available to taxable persons who are subject to an unlimited tax obligation and earn income outside Poland:

- from work, activity performed in person, and business activity,
- under property rights, copyright and neighboring rights as defined in other regulations, and artistic, literary, scientific, educational and columnist activities outside Poland, except for income (revenue) from exercising these rights or disposing of them

– and settle tax using the proportional deduction method (pursuant to the rules set out in Article 27(9) or (9a) of the Act).

The taxable person deducts from tax (reduced by the amount of the health insurance premium referred to in Article 27b of the Act) the amount equivalent to the difference between the tax calculated by applying the proportional deduction method and the amount of the tax calculated by applying exclusion with progression (in accordance with the rules set out in Article 27(8) of the Act). A deduction amount may not, however, be in excess of PLN 1,360.

The above limit does not apply (Article 27g(5) of the Act) to income earned outside Poland to income from work under employment contracts, contracts of mandate, contracts for specific work or services performed outside the land territory of countries.

Remember that you may not take advantage of abolition relief if income (revenue) from the above-mentioned sources was earned in countries and territories applying harmful tax competition. The list of such countries was published in the Regulation of the Minister of Finance of 28 March 2019 on the determination of countries and territories applying harmful tax competition in the field of personal income tax (Journal of Laws of 2019, item 599).

## Advances due

### Taxable person

Section O of PIT-36 applies to persons who do not have a place of residence in Poland (Article 3(2a)), are subject to a tax obligation only with respect to income (revenues) earned in the territory of Poland (limited tax obligation), and earn revenue specified in Article 29 of the Personal Income Tax Act.

Such persons are obliged to pay lump-sum income tax in accordance with the rules referred to in Article 29, for the months in which they earned the said income, without being requested to do so. Payments should be made by the 20th day of the following month for the previous month. Tax for December is payable by the deadline for filing the tax return. These advances should be shown in PIT-36, in section O.

Article 29(1) of the Personal Income Tax Act specifies the following types of revenue and the lump-sum tax rate applicable to this income:

- from the activities specified in Article 13(2) and (6)-(9) and from interest other than that mentioned in Article 30a(1), under copyright or neighboring rights, rights to inventive designs, trademarks, and ornamental designs, including the sale of these rights, from fees for disclosing the secret of a recipe or production process, for the use or the right to use an industrial,



commercial or scientific device, including a means of transport, and for information related to know-how in the field of industry, commerce or science – lump-sum tax on revenue at a 20% rate;

- from fees for services related to shows, entertainment or sports, provided by natural persons residing abroad, and organized by natural persons or legal persons conducting business activity in the area of artistic, entertainment or sports events in the territory of Poland – lump-sum tax on revenue at a 20% rate;
- from due fees for the export of cargo and passengers transported from Polish ports by foreign commercial shipping companies, with the exception of transit cargo and passengers – lump-sum tax on revenue at a 10% rate;
- earned on the territory of Poland by foreign air navigation companies, excluding revenue from scheduled air passenger transport, the use of which requires the passenger to have an air ticket – lump-sum tax on revenue at a 10% rate;
- for consulting, accounting, market research, legal, advertising, management, and control services, as well as data processing, employee recruitment and acquisition, guarantees and sureties, and similar services – lump-sum tax on revenue at a 20% rate.

The above revenue is covered by double taxation avoidance agreements to which Poland is a party. However, the application of the tax rate resulting from the relevant double taxation avoidance agreement or abandoning tax collection (payment) in accordance with such agreement is possible provided that the taxable person's place of residence is documented for tax purposes with their certificate of residence.

The provisions of Article 29(1) shall not apply if the revenue referred to therein was obtained by a person referred to in section O of the tax return, conducting non-agricultural business activity through a foreign establishment located on the territory of Poland, provided that such person holds a certificate confirming the existence of that foreign establishment, issued by the competent tax authority of the country where this person resides or by the competent tax authority of the country where the foreign establishment is located.

If a person referred to in Article 3(2a) of the Act:

- has a place of residence for tax purposes in a country of the European Union other than Poland or in other country of the European Economic Area or the Swiss Confederation, and
- has documented their place of residence for tax purposes with a certificate of residence

– may, in accordance with a request made in the tax return for a given fiscal year, tax revenue referred to in paragraph 1, subject to taxation in Poland, on the terms set out in Article 27(1) (general terms). In this case, the lump-sum income tax, referred to in paragraph 1, collected on this revenue is treated the same as the income tax advance withheld by the taxpayer.

Such taxation may be applied, however, only if there are legal grounds under a double taxation avoidance agreement or other ratified international agreements to which Poland is a party, for the tax authority to obtain tax information from the tax authority in the country where the natural person has their place of residence for tax purposes.

Remember that revenue listed in Article 29, earned by persons referred to in Article 3(2a) (with a limited tax obligation), is not subject to the exemption referred to in Article 21(1)(148) (youth relief).

## Spouse

Section O of PIT-36 applies to persons who do not have a place of residence in Poland (Article 3(2a)), are subject to a tax obligation only with respect to income (revenues) earned in the territory of Poland (limited tax obligation), and earn revenue specified in Article 29 of the Personal Income Tax Act.

Such persons are obliged to pay lump-sum income tax in accordance with the rules referred to in Article 29, for the months in which they earned the said income, without being requested to do so. Payments should be made by the 20th day of the following month for the previous month. Tax for December is payable by the deadline for filing the tax return. These advances should be shown in PIT-36, in section O.

Article 29(1) of the Personal Income Tax Act specifies the following types of revenue and the lump-sum tax rate applicable to this income:

- from the activities specified in Article 13(2) and (6)-(9) and from interest other than that mentioned in Article 30a(1), under copyright or neighboring rights, rights to inventive designs, trademarks, and ornamental designs, including the sale of these rights, from fees for disclosing the secret of a recipe or production process, for the use or the right to use an industrial, commercial or scientific device, including a means of transport, and for information related to know-how in the field of industry, commerce or science – lump-sum tax on revenue at a 20% rate;
- from fees for services related to shows, entertainment or sports, provided by natural persons residing abroad, and organized by natural persons or legal persons conducting business activity in the area of artistic, entertainment or sports events in the territory of Poland – lump-sum tax on revenue at a 20% rate;
- from due fees for the export of cargo and passengers transported from Polish ports by foreign commercial shipping companies, with the exception of transit cargo and passengers – lump-sum tax on revenue at a 10% rate;
- earned on the territory of Poland by foreign air navigation companies, excluding revenue from scheduled air passenger transport, the use of which requires the passenger to have an air ticket – lump-sum tax on revenue at a 10% rate;
- for consulting, accounting, market research, legal, advertising, management, and control services, as well as data processing, employee recruitment and acquisition, guarantees and sureties, and similar services – lump-sum tax on revenue at a 20% rate.

The above revenue is covered by double taxation avoidance agreements to which Poland is a party. However, the application of the tax rate resulting from the relevant double taxation avoidance agreement or abandoning tax collection (payment) in accordance with such agreement is possible provided that the taxable person's place of residence is documented for tax purposes with their certificate of residence.

The provisions of Article 29(1) shall not apply if the revenue referred to therein was obtained by a person referred to in section O of the tax return, conducting non-agricultural business activity through a foreign establishment located on the territory of Poland, provided that such person holds a certificate confirming the existence of that foreign establishment, issued by the competent tax authority of the country where this person resides or by the competent tax authority of the country where the foreign establishment is located..

If a person referred to in Article 3(2a) of the Act:

- has a place of residence for tax purposes in a country of the European Union other than Poland other country of the European Economic Area or the Swiss Confederation, and
- has documented their place of residence for tax purposes with a certificate of residence

– may, in accordance with a request made in the tax return for a given fiscal year, tax revenue referred to in paragraph 1, subject to taxation in Poland, on the terms set out in Article 27(1) (general terms). In this case, the lump-sum income tax, referred to in paragraph 1, collected on this revenue is treated the same as the income tax advance withheld by the taxpayer.

Such taxation may be applied, however, only if there are legal grounds under a double taxation avoidance agreement or other ratified international agreements to which Poland is a party, for the tax authority to obtain tax information from the tax authority in the country where the natural person has their place of residence for tax purposes.

Remember that revenue listed in Article 29, earned by persons referred to in Article 3(2a) (with a limited tax obligation), is not subject to the exemption referred to in Article 21(1)(148) (youth relief).

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## Table with advances due

Section Q of PIT-36 relates to persons who:

1. earn income without the mediation of taxpayers:

- under an employment relationship abroad,
- from old age and disability pensions from abroad,
- under entitlements specified in Article 13(2), (4) and (6)-(9) of the Act, subject to paragraph 1(1).

Such persons are required to make during the fiscal year advance payments for income tax that have to be shown in PIT-36, section Q.

The entitlements specified in Article 13(2), (4) and (6)-(9) include:

- revenue from artistic, literary, scientific, training, educational and columnist activity performed in person, including revenue for participation in contests dedicated to science, culture, arts, and journalism, as well as revenue from playing sport, sports grants awarded under other provisions, and revenue earned by referees, umpires and judges from sports events (subparagraph 2);
- revenue earned by Polish arbitrators participating in arbitration with foreign partners (subparagraph 4);
- revenue of persons who were commissioned by state administration or local government authorities, the court or public prosecutor, under relevant regulations, to perform certain actions (e.g. revenue of experts in court, investigative or administrative action), and remitters and collectors of public and legal fees, as well as revenue from participation in committees appointed by state administration or local government authorities,
- revenue earned by persons, irrespective of the manner of their appointment, who are members of management boards, supervisory boards, other governing bodies and committees of legal persons (subparagraph 7);
- revenue earned by members of the National Media Council (subparagraph 7a);

- revenue from the performance of services under a contract of mandate or a contract for specific work, obtained only from:
    - a natural person conducting business activity, a legal person and its organizational unit, as well as an organizational unit without legal personality,
    - the owner (holder) of real estate with premises for rent, or the manager or administrator acting on their behalf – if the taxable person performs such services only for the purposes related with this real estate,
    - an enterprise in inheritance
  - with the exception of revenue earned under contracts concluded as part of non-agricultural business activities conducted by the taxable person and revenue referred to in Article 13(9)(point 8);
  - revenue earned under enterprise management contracts, manager contracts or other contracts of this type, including revenue under such agreements concluded as part of non-agricultural business activity conducted by the taxable person – except for revenue referred to in Article 13(7)(point 9);
2. earned revenue from other sources referred to in Article 10(1)(9) of the Act, under a contract to which the provisions of civil law relating to contracts of mandate or contracts for specific work apply;
3. reside in Poland and are subject to tax on all their income (revenue) regardless of the location of income sources (unlimited tax obligation), and temporarily stay abroad and earn income from income sources located outside Poland.

The persons referred to in points 1 and 3 are required to calculate advance income tax and pay it on their own.

The obligated person makes the payment, respectively:

- by the 20th day of the month following the month in which the income was earned, and for December – by the deadline for submitting the tax return, applying to the income the lowest tax rate specified in the scale referred to in Article 27(1) of the Act; when determining the income from which the advance payment should be calculated, the taxable person is entitled to take into account the monthly tax-deductible expenses in the amount specified in Article 22(2) or (9) of the Act and the premiums referred to in Article 26(1)(2) or (2a), paid in a given month. When calculating the advance, the taxable person may apply a higher tax rate specified in the scale referred to in Article 27(1). The taxable person may reduce the thus calculated advance payment by the amount of the health insurance premium referred to in Article 27b, paid in a given month from the taxable person's funds;
- by the 20th day of the month following the month in which the person returned to Poland. If the payment deadline falls after the end of the fiscal year, the output tax is payable by the deadline for submitting the tax return. A due advance payment is calculated in accordance with the above-mentioned rules.

Persons referred to in point 2, i.e. those who have earned revenue from other sources referred to in Article 10(1)(9) of the Act, under a contract to which the provisions of civil law relating to contracts of mandate or contracts for specific work apply, may pay monthly tax advances during the fiscal year, applying the lowest tax rate specified in the scale referred to in Article 27(1). When calculating the advance, the taxable person may apply a higher tax rate specified in the scale referred to in Article 27(1) of the Act. Taxable income is

understood as revenue earned in a given month less tax-deductible expenses referred to in Article 22(9)(6) of the Act. Monthly tax advances should be paid to the account by the 20th day of the month following the month in which income was earned, and for December – by the deadline for submitting the tax return.

## Other information

### PERSONAL ACCOUNT FOR OVERPAYMENT REFUND

If the tax return shows an overpayment, you may indicate in this section an account other than the one related to the business activity you conduct, to which the overpayment is to be refunded.

You can indicate an account that you own (co-own). An account owned (co-owned) by your spouse may be indicated only in the case of submitting a joint tax return. The indicated account updates the account previously reported to the tax office.

If you have a valid Large Family Card (KRD), you can take advantage of an accelerated tax overpayment refund. This option is available to those who submit their tax return in electronic form.

Provide contact details: phone number, e-mail address.

### Certificate of residence

Certificate of residence proving your place of residence for tax purposes.

The obligation to submit a certificate of residence applies to persons residing for tax purposes outside Poland in a country of the European Union, the European Economic Area or the Swiss Confederation, who, pursuant to Article 45(7a) of the Act, have chosen the taxation method provided for income earned by married couples, single parents or wish to have revenue specified in Article 29(1) of the Act taxed according to the tax scale.

## Amount of the percentage of PIT transferred to local government units

Your tax from PIT-36 in the part transferred to local government units is your output tax reduced by its 1% transferred by you to a public benefit organization, distributed in accordance with the following rules between:

- gmina – in the amount that is the product of your output PIT and coefficient 0.38231) and the ratio equal to the percentage of output PIT for 2019 from taxable persons residing in the gmina, in the total amount of output tax in the same year from all taxable persons,

- powiat – in the amount that is the product of your output PIT and coefficient 0.10252) and the ratio equal to the percentage of output PIT for 2019 from taxable persons residing in the powiat, in the total amount of output tax in the same year from all taxable persons,
- voivodship – in the amount that is the product of your output PIT and coefficient 0.01601) and the ratio equal to the percentage of output PIT for 2019 from taxable persons residing in the voivodship, in the total amount of output tax in the same year from all taxable persons.

If you are a resident of the Metropolis GZM3), we additionally transferred an amount that is the product of your output tax and coefficient 0.054) and coefficient 0.06554894978.

The remaining part of your tax is income of the state budget.

<sup>[1]</sup> in accordance with Article 9, read together with Article 89 of the Act of 13 November 2003 on income of local government units (Journal of Laws of 2020, item 23, as amended)

<sup>[2]</sup> applicable also to towns with powiat rights

<sup>[3]</sup> the Metropolis includes the following gminas: Będzin, Bieruń, Bobrowniki, Bojszowy, Bytom, Chelm Śląski, Chorzów, Czeladź, Dąbrowa Górnicza, Gierałtowice, Gliwice, Imielin, Katowice, Knurów, Kobiór, Łędziny, Łaziska Górne, Mierzęcice, Mikołów, Mysłowice, Ożarówice, Piekary Śląskie, Pilchowice, Psary, Pyskowice, Radzionków, Ruda Śląska, Rudziniec, Siemianowice Śląskie, Siewierz, Sławków, Sosnowiec, Sośnicowice, Świerklaniec, Świętochłowice, Tarnowskie Góry, Tychy, Wojkowice, Wry, Zabrze, Zbrostawice.

<sup>[4]</sup> in accordance with Article 52(3) of the Act of 9 March 2017 on the Metropolitan Union in the Silesian Voivodship (Journal of Laws of 2017, item 730, as amended)

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