

Full contributions due from personal services contracts

September 2020.

In brief

The latest press release brings information about planned changes concerning full social security contributions to be due from personal services contracts as of 1 January 2021. The Ministry of Family, Labour, and Social Policy has advised that discussions on this issue are still being held with social partners and that no decisions have been made yet. However, regardless of whether the full contributions due from such contracts will come into force in a few months or later, the increase in labor costs in the near future seems to be undoubtful. It is worth being prepared for these changes now.



The scope of proposed changes

Under the current law, in case of a contractor with more than one title for the Polish social security obligation (e.g. working based on several personal services contracts or based on a personal services contract and an employment contract or combination of a personal services contract with self-employment), there is no obligation to pay full social security contributions from all titles assuming that the basis for obligatory contributions due from the first title is at least the amount of the minimum wage (amounting to PLN 2600 gross in 2020 and PLN 2800 in 2021). Therefore, if the employee or a contractor earns at least the minimum wage from the first title, remuneration derived from the second or any further contract will only be subject to the obligatory health insurance contribution.

According to the proposed changes, full social security and health insurance contributions will be due from each personal services contract regardless of any other titles to the Polish mandatory social security which an individual may have.



What does it mean to me?

The change will cause an increase in labour costs for employers and decrease in net remuneration for contractors.

On the other hand, the planned changes should have a positive impact on the amount of short and long-term benefits from the Polish social security system, including pension which depends on the cumulative amount of contributions paid for pension insurance and the age at which the insured person will retire. Moreover, the current law may also contribute to the overuse of the personal services contracts, which in some industries disrupt fair competition on the market.

Nevertheless, the planned moment of introduction of the changes seems to be particularly sensitive. The implementation of this solution already as of 2021 may have negative impact for the industries which have been affected the most by the economic crisis caused by COVID-19 (tourism, gastronomy or event industry).



What actions can I undertake?

The official draft of the new regulations has not been published so far. However, despite lack of the draft, the issue may be an impulse for the analysis of the labour costs which will need to be borne by your organization in this respect. Additionally, it is also probable that the Polish government will return to the notion of removal from the social security law of the so called cap limit (i.e. annual limit for the pension and disability contributions), which would mean another significant increase in labour costs in case of employees with gross wages currently exceeding 156 810 PLN annually.

Let's talk

If you have any questions or doubts regarding the above issues, please do not hesitate to contact with our P&O Team

Contact

Joanna Narkiewicz-Tarłowska

Director

+48 502 184 764

joanna.narkiewicz-tarlowska@pwc.com

Jadwiga Chorążka

Director

+48 502 184 056

jadwiga.chorazka@pwc.com

Barbara Kolimeczkow

Senior Manger

+48 502 184 825

barbara.kolimeczkow@pwc.com

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