

Personal income tax (PIT)

The personal income tax can be paid in one of the following ways of taxation:

- by lump sum – applying only to limited income sources,
- by general terms (progressive tax scale) – applying to most of the income sources, particularly to income received from employment (employment relationships).

Natural persons running non-agricultural economic activity are also taxed in accordance with progressive tax scale. If a taxpayer chooses this way of taxation income from such activity is taxed by the 19% tax rate. Taxpayers may also choose one of the following ways of lump sum taxation: lump sum on registered income, tax card.

Lump sum

Some natural persons can entertain the possibility of paying lump sum of the income tax in accordance with the Act on Lump Sum Taxation of Some Revenues Raised by Natural Persons of 20th November 1998. The lump sum payment may also be chosen by taxpayers performing non-agricultural economic activity to a limited extent: in the form of a lump sum tax on registered income or so called "tax card."

The lump sum on registered income applies both to income of certain categories of non-agricultural economic activity of natural persons even if the activity is run in a form of:

- natural persons' civil law partnership
- natural persons' general partnership.

This kind of taxation is possible for taxpayers if they start running economic activity and choose this method of settlement. If the taxpayers had already run such activity in the previous year the lump sum taxation is still achievable for them provided that their revenue from that year does not exceed 150.000 EUR.

Moreover, by lump sum on registered income, can be taxed natural persons gaining incomes from lease, sub-lease, tenancy and sub-tenancy agreements and from similar agreements with the exception of such agreements concluded as a part of one's business activity.

The income taxed in the form of a lump sum cannot be linked with income from other sources.

The lump sum tax rates on registered revenue could be for example:

- 20 % for revenue from freelance professions,
- 8,5 % for revenue from services, incl. catering connected with the sale of beverages containing over 1.5 % alcohol,
- 5,5 % for revenue from production and construction works,
- 3,0 % for catering services, with the exception of revenue from the sale of beverages containing over 1.5 % of alcohol.

The lump sum on registered income cannot be applied to taxpayers receiving their entire or part of the revenue e.g. from running pharmacies, from trading of foreign currencies and from trading of parts and additional accessories of motor vehicles.

Natural persons who are taxed by lump sum on registered income have the duty of keeping records of revenues and also fixed assets register and equipment register.

Tax card

Tax card is the simplest way of taxation because taxpayers who choose it do not have to keep books of account, and are also exempted from the duties of:

- submitting tax returns,
- paying advances towards personal income tax.

Tax card taxation can be applied to taxpayers who do not run their economic activity outside the territory of Poland on their application (in a form of PIT-16 tax return) addressed to the head of a local tax office who decides if taxpayers qualify for the taxation.

Such decision is issued annually by the head of a tax office and also assesses the exact tax value.

The tax rates are expressed in the amount of money to be paid (not in %) and are increased every year.

However, the exact tax rate depends on:

- the form and scope of a taxpayers economic activity,
- the number of employees,
- the number of inhabitants of the place where the taxpayer's economic activity is performed.

Taxpayers are supposed to pay this tax monthly to the 7th day of every month for the previous month (and for December to 28th of the month) in the amount resulting from decision of the head of local tax office. The due tax is reduced by the amount of health insurance contribution paid by taxpayer.

General terms of taxation (PIT)

The taxation of the income of natural persons is generally regulated by the Act on Personal Income Tax of July 26th, 1991. Since then the act has been repeatedly amended.

Subject of the income tax

Income tax is a personal tax. It means the taxpayer is every natural person who gains income. This rule also complies with married couples unless they apply for joint tax return of their incomes. Natural persons living in Poland (residents) are taxed in accordance with the following rule: unlimited tax liability. It means, that according to Polish regulations, those people pay the income tax on their total gained incomes (revenue), no matter where the sources of revenue are located - in the country or abroad. There are some exceptions to this rule. Any income obtained from abroad is excluded from the income taxation in Poland when an international agreement of which Poland is a party, constitutes so.

Object of the income tax

All kinds of income are liable to tax. There are, however, some exceptions e.g.: disability pensions and damages allocated on the basis of the separate regulations as well as the prizes coming from games of chance, lotteries if the total amount gained at once from this games does not exceed 2.280 PLN. If a taxpayer gains incomes from more than one source, the object of taxation, in the given tax year, is a sum of incomes from all revenue sources (so called principle of incomes accumulation). Unless the specific regulations constitute otherwise the income from the different sources is a difference between gross income and the expenses directly or indirectly linked to the income generated, gained in the tax year.

If these expenses exceed the sum of revenues, the difference is a loss from the revenue sources.

Deductions and reliefs in 2014

The Act on Personal Income Tax introduced the possibility of using the following deductions and reliefs by a taxpayer, e.g.:

1. from income - taxpayers may deduct the following expenses (at a stated amount):

- social security contributions
- expenses for rehabilitation purposes incurred by a taxpayer who is a disabled person, or a taxpayer who supports the disabled
- donations for special purposes i.e. religion cult, to NGO`s for public benefit purposes (not more than 6% of taxpayer`s income)
- the expenses of using Internet for taxpayers who did not benefit from the tax credit in previous years. The deduction applies to expenditures incurred through the following two years, up to 760 PLN in the tax year

- expenditures incurred for the acquisition of new technology

2. from the tax:

- obligatory health contributions (not more than 7,75% of calculation base)
- child relief:
 - monthly 92,67 PLN for the first child, if the income received by parents (married or single parent, who meets special requirements) doesn't exceed in the tax year the amount of 112.000 PLN. For other parent the threshold of income is 56.000 PLN,
 - monthly 92,67 PLN for the second child,
 - monthly 139,01 PLN for the third child,
 - monthly 185,34 PLN for the fourth and every next child.

Tax returns and income tax collection

In case of income received from employment, employers, as tax remitters, are obliged to calculate, collect throughout the year income tax advance payments and pay them to the competent tax authority (tax office). The tax advance payments for the period from January to November shall be remitted by the 20th day of every month for the preceding month. Taxpayers are to submit their annual tax returns and pay the income tax on the basis of tax returns until 30th April of the following year. The due income tax, in case of employment relationship, is the difference between the due income tax (assessed on the basis of tax return) and the sum of all tax advance payments paid within the tax year by tax remitters.

When it comes to taxpayers who receive income from i.e. an economic activity or self-employment they are obliged to pay monthly or quarterly (in case of small taxpayers) tax advance payments for their income tax.

Lump sum on registered income is paid on monthly or quarterly basis. While after the end of each tax year no later than to January 31st of the subsequent year taxpayers have to submit their tax returns.

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