

Changes to Polish Taxation Legislation

Information correct as at 09:00am on 01.04.2021

- Changes to Polish taxation rules may affect Polish workers in the UK
- Changes only apply if deemed a Polish 'resident'
- Likely to apply on annual tax returns submitted in 2022 on 2021 earnings

Polish workers working in the UK may be subject to domestic taxation law changes in Poland, with a potential financial impact being experienced on earnings from 2021.

Polish nationals working in the UK have previously benefited from 'abolition relief' for income earned in the UK with no tax payable in Poland for UK income. A change applicable from 1 January 2021 means that the 'abolition relief' is now only available in limited circumstances, meaning that Poles working in the UK but still resident in Poland may be subject to taxation.

Polish workers will be regarded as Polish residents if they fulfil one of the below criteria:

1. Their centre of personal or economic interest is in Poland (e.g. has property, bank accounts or other economic interests)
2. Stays in Poland for over 183 days in a given tax year

Whilst the 'proportional deduction' rules will consider tax already paid abroad, Polish residents may have to pay tax on the difference between the UK's and Poland's personal tax allowance. The Polish personal tax allowance is PLN8,000 (approximately £595) per year whereas in the UK it is £12,570 (for 2021/22); Polish workers earning income in the UK but still resident in Poland will be taxed on the difference between the two tax thresholds, which could result in a tax liability in Poland of around £2,000 for the employee.

Workers will have to submit a return for 2020 earnings but the 'abolition relief' still applies to those earnings, next year the 'abolition relief' has limited application and so it is likely that tax will have to be paid in 2022 for 2021 earnings.

It is advisable to consider how this may affect any Polish members of staff and how you may address any concerns.

For further discussion or to help with any questions that you may have, please contact Consultant Support on consultantsupport@kiteconsulting.com or 01902 851007 / 07542 403225