Taxing Wages – Poland

Tax on labour income

The ***tax wedge*** is a measure of the tax on labour income, which includes the tax paid by both the employee and the employer.

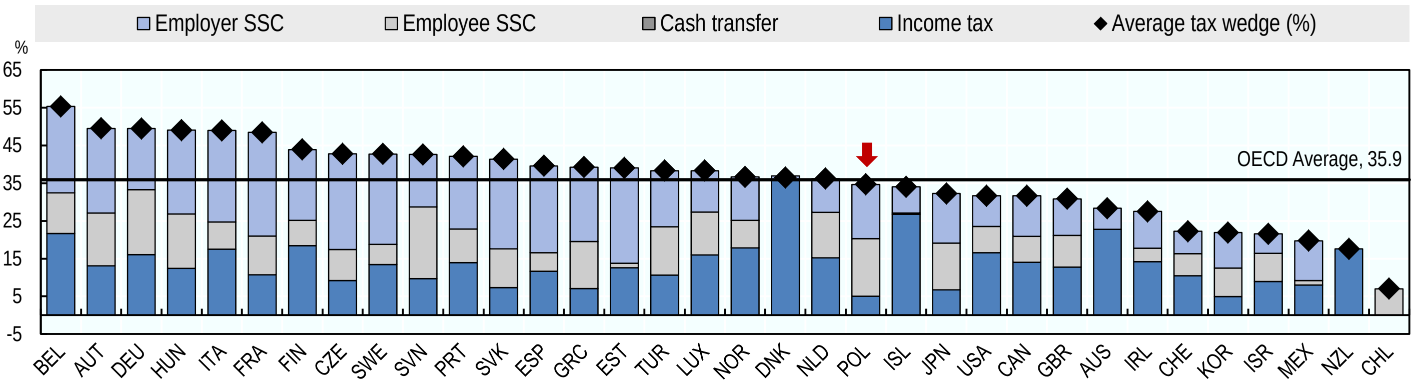
TAX WEDGE ON LABOUR INCOME

$$\frac{(\textbf{Personal income tax} + \textbf{ employee and employer social security contributions (SSCs)}) - \textbf{\textit{Family Benefits}}}{\textbf{Total labour costs (gross wages } + \textbf{ employer SSCs)}}$$

Single worker

- Poland is ranked 21st among the 34 OECD member countries in decreasing order with a tax wedge for an average single worker at 34.7% in 2015, compared with the OECD average of 35.9%. The country occupied the same position in 2014.
- In Poland, employee and employer social security contributions combine to account for 85% of the total tax wedge compared with 63% of the total OECD average tax wedge.

Average tax wedge: average single worker, no children

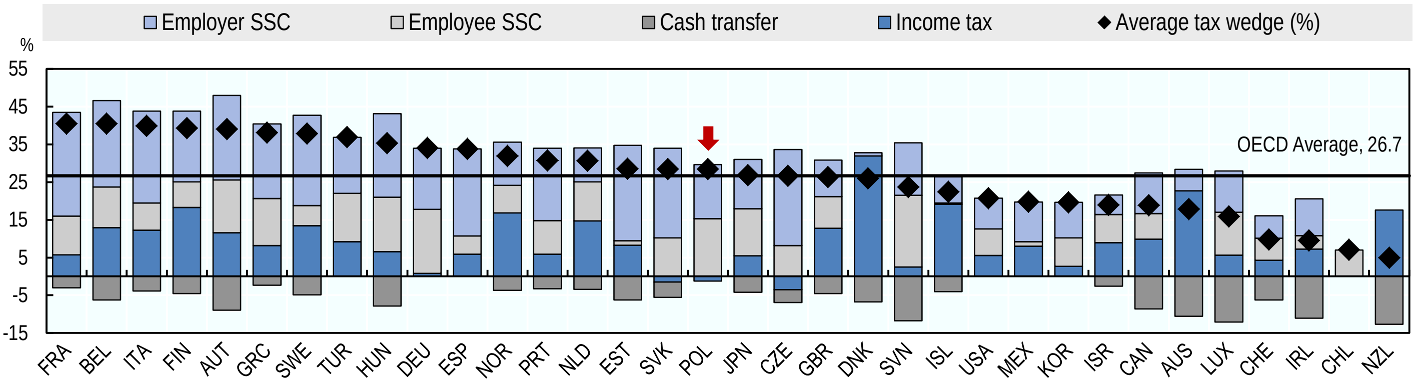


One-earner married couple with two children

The tax wedge for a worker with children may be lower than for a worker on the same income without children, since many OECD countries provide benefits to families with children through cash transfers and preferential tax provisions.

- Poland is ranked 17th in the OECD with a tax wedge for an average married worker with two children at 28.4% in 2015, which compares with the OECD average of 26.7%. The country occupied the 16th position in 2014.
- Child related benefits and tax provisions tend to reduce the tax wedge for workers with children compared with the average single worker. In Poland in 2015, this reduction (6.3 percentage points) was less than the OECD average (9.2 percentage points).

Average tax wedge: One-earner married couple at average earnings, 2 children

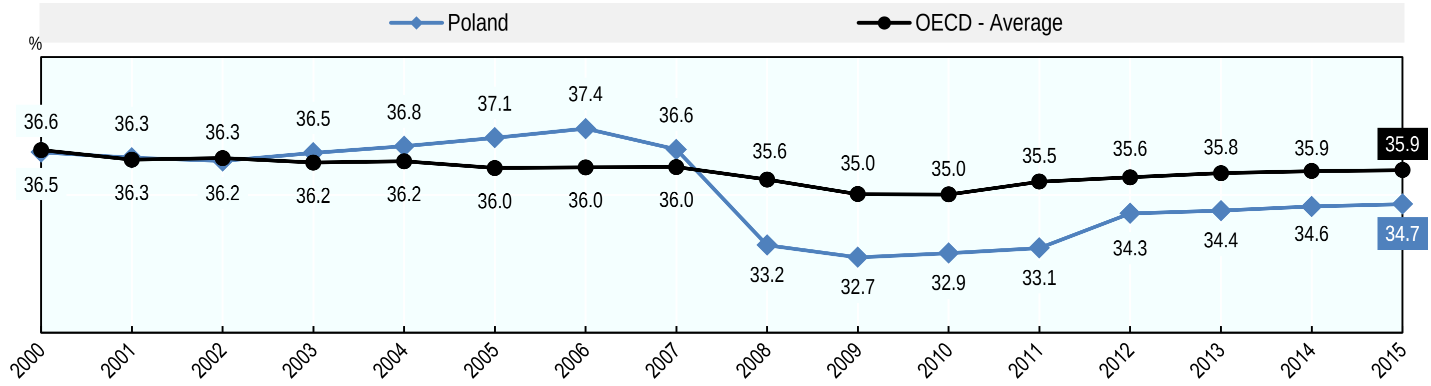


Tax wedge trends between 2000 and 2015

- In Poland, the tax wedge for the average single worker decreased by 1.8 percentage points from 36.5 to 34.7% between 2000 and 2015. During the same period, the average tax wedge across the OECD decreased by 0.7 percentage points from 36.6 to 35.9%.

- Since 2009, the tax wedge for the average single worker increased by 2.0 percentage points in Poland. During this same period, the tax wedge for the average single worker across the OECD increased by 0.9 percentage points.

Average tax wedge over time for a single worker



Employee tax on labour income

The employee net average tax rate is a measure of the net tax on labour income paid directly by the employee.

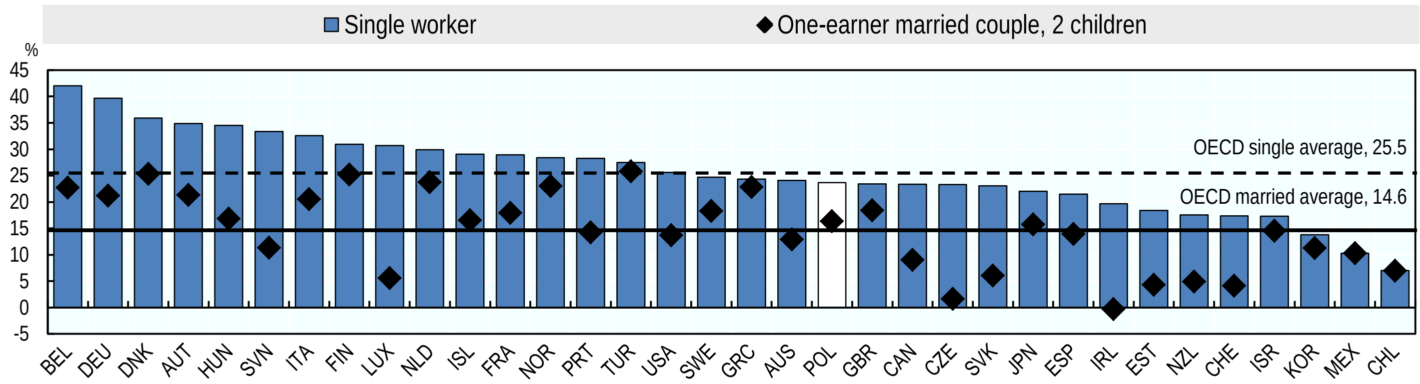
EMPLOYEE NET AVERAGE TAX RATE

$$\frac{(\textbf{Employee personal income tax and employee social security contributions}) - \textbf{\textit{Family Benefits}}}{\textbf{Gross wages}}$$

- In Poland, the average single worker faced a net average tax rate of 23.7% in 2015 compared with the OECD average of 25.5%. In other words, in Poland the take-home pay of an average single worker, after tax and benefits, was 76.3% of their gross wage.

- Taking into account child related benefits and tax provisions, the employee net average tax rate for an average married worker with two children in Poland was reduced to 16.4% in 2015, compared with 14.6% for the OECD average. This means that an average married worker with two children in Poland had a take-home pay, after tax and family benefits, of 83.6% of their gross wage, compared to 85.4% for the OECD average.

Employee net average tax rate



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