

# Payment to ZFŚS due by end of the month

In accordance with the Company Social Benefits Fund Act of 4 March 1994, the employer transfers their contribution to the bank account of the Company Social Benefits Fund (ZFŚS) by September 30. Because ZFŚS contributions were unfrozen in July according to the calculation base from 2021, employers should transfer an increased installment, with the basic contribution having gone up to PLN 1914,34.

## I. Requirement to form ZFŚS

In accordance with the Company Social Benefits Fund Act, the employers listed therein are required to transfer by set due dates to separate bank account of a given fund the value of the contribution specified for the given year. The requirement to form a fund is based on the number of employees as at 1 January of each year. The fund is managed by the employer, and any money unused in a given year is rolled over to the following year. The following are eligible to benefit from the ZFSS: employees and their families; retirees and pensioners - former employees and their families, as well as others to whom the employer has granted eligibility to benefit from the fund in the fund's regulations.

## II. Two contribution payment due dates

The first ZFŚS installment is paid by the 31st of May of each year, at the value of at least 75% of the annual contribution. The remainder must be transferred to the ZFŚS account by 30 September. These deadlines do not apply to funds the employer has formed voluntarily, but only to those employers required to form the fund by law. Importantly, an employer is not required to pay interest on amounts that were not paid to the fund's account on time.



## V. Two calculation bases in 2023

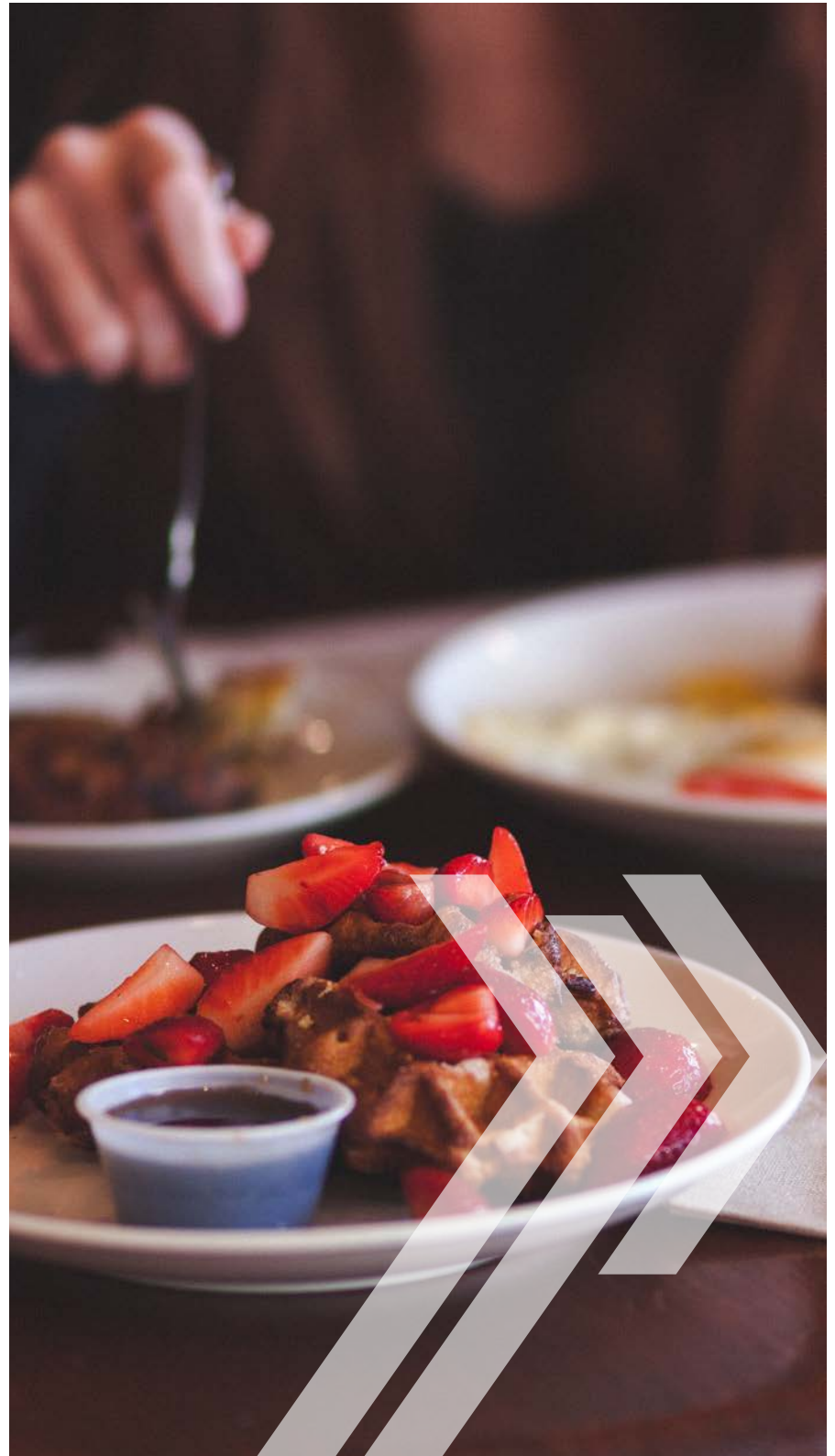
As at 1 January 2023 contributions to company social benefits funds were calculated based on the average monthly salary in the national economy in the second half of 2019 as announced by the President of the Main Statistical Office (GUS), i.e. the amount of PLN 4434,58. Used until the end of 2021 was the average monthly salary in the national economy from the second half of 2018 in the amount of PLN 4134,02. However, in accordance with the changes made by the Act of 7 July 2023 amending the Act on special solutions serving the realization of the budget for the year 2023 and certain other acts (Journal of Laws item 1586), as of 1 July 2023, contributions to ZFŚS are calculated on the calculation base which consists of the average monthly salary in the national economy in the second half of 2021, i.e. PLN 5104,90.

## III. Three groups of employers required to form ZFŚS

Under binding regulations three groups of employers are required to form ZFŚS. Firstly, those who as at 1 January of the given year have at least 50 full-time employees. Secondly, those who as at 1 January have at least 20 and no fewer than 50 full-time employees (this group forms the fund at the request of a company union organization). And thirdly, state and local budget entities, which are required to form ZFŚS irrespective of the number of employees.

## IV. Voluntary formation of ZFŚS or payment of holiday allowance

Those employers who as at 1 January have fewer than 50 full-time employees (this does not, however, apply to employers that operate as state or local budget entities) may: form ZFŚS up to the amount and as set out in the Act, or pay a holiday allowance. A holiday allowance is paid by the employer once a year to each employee who in the given calendar year takes at least 14 consecutive calendar days in annual leave. It makes no difference if the 14-day annual leave is outstanding leave (from the previous year) or leave due for the current year. Holiday allowance is paid no later than on the last day preceding the start of the employee's annual leave.





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## VI. Increase in basic contribution made in September

The amount of the basic contribution per employee amounts to 37,5%. But in some cases the value of the contributions is different. And so, the basic contribution per youth employee amounts to: 5% in the first year of study; 6% in the second year of study; 7% in the third year. Whereas the value of the basic contribution per employee working in special conditions or of a special nature as defined in the regulations on bridging pensions, amounts to 50%. This means that from January to June 2023 the value of the basic contribution was PLN 1662,97, and from July to December to PLN 1914,34. The employer transfers the equivalent of the contributions made and increases accrued for the year 2023 to the bank account of the fund by 30 September 2023, taking into account the amount of the contributions and increases already transferred and accrued based on the average monthly salary in the national economy in the second half of 2019, i.e. PLN 4434,58.

## VII. Tax-deductible only once transferred

An employer who transferred the value of the annual basic contribution to the separate ZFŚS account can claim that amount as a tax-deductible cost (the first portion at the time of payment of the first 75%). But please note: in accordance with Article 15 par. 1 point 9 of the CIT Act - contributions that in accordance with the ZFŚS Act constitute the employer's operating costs become tax-deductible only once the funds constituting the equivalent of those contributions are transferred to the ZFŚS account. As a result, it is not the contribution itself that is tax-deductible, but rather the amount transferred to the fund's account. The date on which contributions are paid to the ZFŚS account will be day on which the taxable person becomes eligible to recognize a tax-deductible cost at the value of the transferred amount, which should first be accounted for as a contribution in accordance with the ZFŚS Act.

The information presented herein does not constitute comprehensive information or opinion. Consult your adviser before making any decisions.

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