

Supplementary payment to ZFSS due by the end of September

In accordance with the Company Social Benefits Fund Act, the employer transfers their contribution to the bank account of the company social benefits fund (ZFSS) by 30 September. It is only once it is actually transferred to the fund's separate bank account that it's equivalent may be claimed as a tax-deductible cost.

I. Requirement to form a company social benefits fund (ZFSS)

In accordance with the Company Social Benefits Fund Act, the employers listed therein are required to transfer by set due dates to the 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 each 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. Deadline to supplement payment to separate fund account in September

The first ZFSS installment is paid by 31 May of each year, at the value of at least 75% of the annual contribution. The remainder must be transferred to the ZFSS 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. An employer that has a ZFSS is required to make contributions to that fund on a timely basis. Importantly, an employer is not required to pay interest on amounts that were not paid to the fund's account on time.

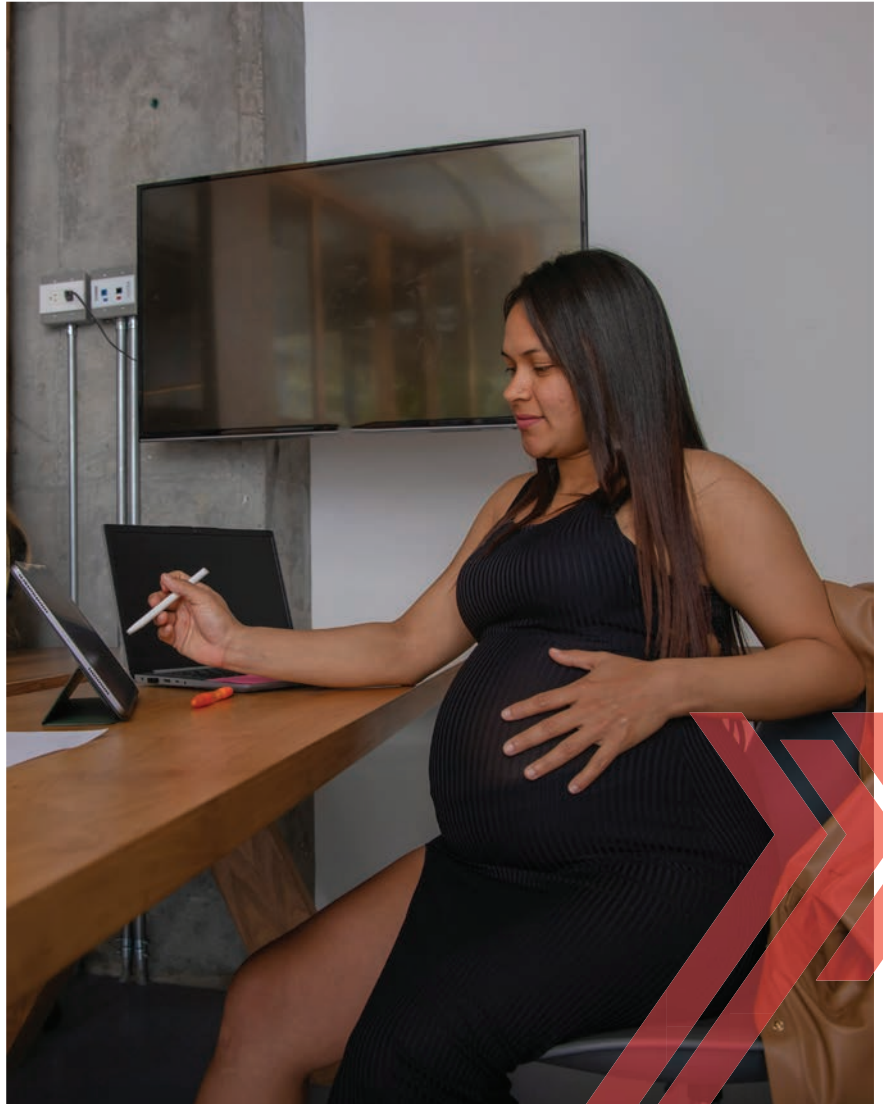
III. Three groups of employers required to form ZFSS

In accordance with binding regulations three groups of employers are required to form ZFSS. Group one are employers who as at 1 January of the given year have at least 50 full-time employees. Group two are those employers who as at 1 January have at least 20 and fewer than 50 full-time employees. This group forms the fund at the request of a company union organization. The third group are state and local budget entities. This group is required to form ZFSS irrespective of the number of employees.



IV. Part-time positions must be converted into full-time positions

The number of employees consists of full and part-time employees, converted into full-time. This number includes those on indefinite, as well as fixed-term or trial-basis contracts. What is more, employees include those who have been appointed, nominated or elected to their posts. Whereas the average number of employees does not include temporary employees and those who are not in fact employees (e.g. working solely on the basis of civil law contracts). Part-time employees are converted into full-time based on the ratio of the number of work hours agreed in the employment contract to the applicable working time norm. If, for example, an employee works half-time (20 hours per week), the conversion ratio amounts to $20 : 40 = 0,5$.



V. Voluntary formation of ZFŚS or payment of holiday allowance

Those employers who have fewer than 50 full-time employees (this does not, however, apply to employers that operate as state or local budget entities, as well as those required to form a fund at the request of trade unions) may: form ZFŚS up to the amount and as set out in the Act, or pay a holiday allowance. In accordance with binding regulations, 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 of 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.

VI. Contributions for 2024 calculated on average salary in 2023

Contributions are calculated based on the average monthly salary in the national economy. In 2024, for the first time since the pandemic, the value of the contribution is determined based on the salary for the previous year (in 2023 it had been calculated based on 2021, and before that, i.e. up until 2023, on the salary for 2019). This means that in 2024 the base for the calculation of the basic contribution is PLN 6445,71. This arises out of the provisions of Article 5 par. 1 and 2 of the Company Social Benefits Fund Act of 4 March 1994, as well as the announcement of the President of the Main Statistical Office (GUS) of 16 February 2024 on the amount of average monthly salary in the national economy, less deductions for retirement, disability and sickness insurance premiums.

VII. Contributions differ depending on employee category

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 amounts to 50%. The regulations also provide for increased contributions: for employees with disabilities the increase amounts to 6,25% of the calculation base, and for those employers who have formed a company nursery or children's club – 7,5%.

VIII. Basic contribution exceeds PLN 2400 per employee

Contributions for 2024 amount to: PLN 2417,14 of basic contribution per employee; PLN 3222,86 per employee working in special conditions or of a special nature; PLN 322,29 for youth employees in their first year of study, PLN 386,74 in the second year and PLN 451,20 in the third year of study. It is also important to remember about the increase for employees with disabilities. In 2024 this increase amounts to PLN 402,86. Whereas the increase applicable to those employers who have formed a company nursery or children's club amounts to PLN 483,43. The employer transfers the contributions and increases calculated for 2024 to the bank account of the company social benefits fund by 30 September 2024, subject to the amount of contributions and increases transferred to date.



IX. 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 16 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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