

WHO IS BURDENED BY TAXES IN POLAND?

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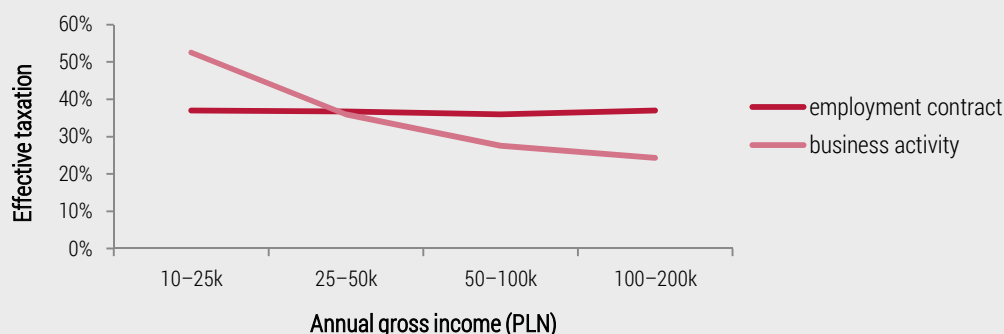
Abstract

The Polish tax system is regressive: it burdens people on low incomes more than people on high incomes. Consumption is inherently taxed regressively. In order to balance it, most EU countries have progressive taxes on labour (higher taxes for higher income). Poland is an exception: the taxation of labour is linear, i.e. the same for low and high income. In the case of business activity, the more profitable the business, the lower the burden on profits. High-yield companies are taxed significantly lower than employment contracts. This induces high-earning individuals to make bogus claims of self-employment. As a result, these people often pay lower taxes than those with employment contracts on low incomes. At the same time, the share of other taxes on capital (on inheritance, real estate, or stock market profits) in Poland is low. A less regressive tax system can be achieved, for example, by reducing taxes on low incomes, counteracting bogus self-employment, and increasing the role of property taxes.

Key facts and figures

- **37%** – this is the effective income taxation of the employment contracts in Poland (regardless of the remuneration level).
- **1/3** – the average income taxes from business activity are approximately one third lower than those from employment contracts with annual income ranging from PLN 100k to 200k.
- **8 p.p.** – on average in the EU countries the tax wedge for low incomes is lower than for high-incomes by 8 percentage points. In Poland there is no difference in the tax wedge between low and high earnings.
- **166,000** – this is the estimated scale of bogus self-employment in the Polish economy in 2017. This phenomenon affects nearly every tenth person running their own business (excluding agriculture).

With high incomes, taxes on business activity are significantly lower than on an employment contract



For source and comments see note under Figure 4 on page 5.