Summary of the most significant changes affecting employment taxation in 2018
INTRODUCTION

We want to quickly guide you through the most significant changes affecting employment taxation in the Czech Republic, Hungary, Poland, Romania and Slovakia to help you get insights about the most important issues that matter to you when acting as an employer in these countries.
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5 MAIN CHANGES TO EMPLOYEE TAXATION IN THE CZECH REPUBLIC

2018 brought three main changes to employee taxation in the Czech Republic: Increased of the minimum wage, tax exemption of employee benefits expanded and new deductible item for bone marrow donation.

Increase of the minimum wage

Since January 1st 2018 the minimum wage was increased from CZK 11,000 to CZK 12,200. Accordingly,
- the maximum amount of the possible tax allowance for nursery-fees was increased to CZK 12,200 (for the year 2018 it will be possible to apply in 2019),
- the tax payer’s annual income was increased to CZK 73,200 (6 times the minimum wage). It should be noted that it now concerns only the income from dependent and self-employed activity (not from rent or capital),
- the limit for exemption from payment of regular contributions in respect of pensions was increased to CZK 439,200 / year (36 times the minimum wage), i.e. CZK 36,600 / month,
- the health insurance, which must be deducted from the minimum wage e.g. by the tax-exempted persons, was increased to CZK 1,647 / month (13.5% of the minimum wage).

To understand better these changes and for simulation purposes, you can check the 2018 salary calculator for the Czech Republic.

Tax exemption of employee benefits expanded

Tax-exempt status will now also apply to printed books, including children’s picture books, except books containing more than 50% of advertising.

Changes of the deductible item for blood donation and bone marrow donation

Increase of the item deductible from the tax base for each blood donation from CZK 2,000 to CZK 3,000. Also, the taxpayers may reduce their tax base by CZK 20,000 for each donation of hematopoietic cells. The tax savings in this regard may be up to CZK 3,000.
Increase of the tax credit per the first dependent child from 2018

Increase of the tax credit per the first dependent child from 2018 (CZK 13,404 in 2017 / CZK 15,204 in 2018). The tax credit per second, third and subsequent dependent child (living with taxpayer in the common household) was increased already in July 2017.

New paternity leave regulation

The new paternity leave regulation allows fathers to have 7-days paid leave, during the first six weeks after the birth, adoption or fostering of a child. The amendment to the Sickness Insurance Act officially entered into force on February 1st, 2018 and allows the fathers to claim up to 70% of their salary for seven calendar days of leave.
HUNGARY HAS INCREASED WAGES AND DECREASED TAXES IN AN EFFORT TO ATTRACT MORE WORKERS.

The higher wages are designed to attract those workers back to Hungary, who have left the country. The government has the goal of bringing foreign workers from neighboring countries to Hungary easier.

Increase of the minimum wage

Hungary constantly and annually increases the minimum wages. The level of minimum wages met the general level of the surrounding countries.

Hungary has increased its minimum wage by 15% in 2017 and another 8% in 2018. Currently, the minimum wage is: 138,000 HUF (450 EUR).

The minimum wage for skilled workers have also increased by 25% in 2017 and another 12% in 2018. Currently, the minimum wage for skilled workers is: 180,500 HUF (590 EUR).

Payroll Tax decreased

Additionally, to the above changes, the payroll tax has decreased in 2017 by 5% and another 2.5% in 2018. Currently, the social contributions payable by the employer is 19.5% (2017: 22%, 2016: 27%). The social charges on certain non-wage benefits has been decreased to 19.5%.

Tax exempt benefit in kinds widend

The most popular tax (PIT) exempt benefits in kind are cultural vouchers, admission to sport events, allowance of housing loans or nursery/kindergarten allowance.

Beside these benefits, Hungary implemented tax exempt allowances of traveling or housing for commuting employees. The circle of eligible person has been widend due to the recent changes. The aim of the exemption is to encourage employees to move within Hungary just for work purposes more easily, and so decrease the level of structural unemployment. If certain conditions are met the employer can support the rental fee of flat or travel tickets free from income tax.

In addition, tax exempt allowance can be provided to redemption instalments of the so called students loan (eligible for students of university or college), making the start of employment for new joiners more effective.
Payroll Tax decreased

Higher salaries are given to employees working on rest days. In general, we can say that working on Sundays represent a 50% extra, while working in shifts 30%, night shifts 15%, and working on public holidays is at least 100% extra.

Employees with reduced ability to work receive extra vacation

Employees construed as a person with reduced ability to work (having suffered a degree of health impairment of at least forty per cent as diagnosed by the body of rehabilitation experts; has diminished capacity to work of 50% to 100%; or entitled to rehabilitation allowance) shall be entitled to five working days of extra vacation time a year. These provisions lower the conditions for this privilege compared to the previous rules.
CHANGES TO LABOUR LAW AND SOCIAL SECURITY CONTRIBUTIONS IN POLAND

2018 brought to Poland numerous changes concerning tax exemption limits, tax-free income, social security and health insurance payments.

Higher limits of tax exemption

Benefits in kind and cash financed from companies’ Social Fund (ZFŚS) are exempt from PIT up to 1,000 PLN (before 380 PLN). Allowances received in connection with individual random incidents, natural disasters, long-term illness or death financed from companies’ Social Fund are exempt without a limit, or from other sources up to PLN 6,000 (before PLN 2,280). Support for organized recreation for children, financed from funds other than the social fund, are exempt up to 2,000 PLN (before 760 PLN). Winnings in competitions and games as well as prizes related to bonus sales are exempt up to PLN 2,000 (before PLN 760).

New amount of tax-free income

As of January 1st 2018, the tax-free income has been increased from PLN 6,600 to PLN 8,000. At the same time, the new regulation maintained the degressive amount which reduces the tax on the taxable base not exceeding PLN 127,000. The tax reduction amount will be gradually reduced to PLN 0 when the taxpayer reaches an income of PLN 127,000.

Increase of the minimum wage

The minimum wage increased from PLN 2,000 to PLN 2,100 gross and the minimum hourly rate for specific civil law contracts increased from PLN 13.00 to PLN 13.70.

Social security and health insurance payments

Social security, health and Labour Fund/FGSP contributions are paid by one bank transfer to a new bank account, it's abolish the so far practice of making several separate transfers. Each payer should receive his own an individual contribution account number in ZUS.
ROMANIA BECAME THE EU’S ONLY MEMBER STATE TO SHIFT ALL SOCIAL SECURITY TAXES TO EMPLOYEES

Social contributions transfer

In Romania, the most significant change approved by the Romanian Government was the social contributions transfer from companies to employees. Following these changes, Romania became the EU’s only member state to shift all social security taxes to employees.

From the beginning of the year:

- Social contributions owed by the Employee: 35% (as compared with 16.5%, in 2017) – the part of the social charges paid until 2018 by employers became the liability of employees, leaving them with the full burden of social charges (pension and health contributions) on salary income.
- Social contributions owed by Companies in Romania: 2.25 (as compared with 23.45%, in 2017) – currently the employers pay the contribution for work insurance of 2.25% on the remuneration paid to their employees.

Not surprisingly, this measurement had a heavy impact on net pay for employees. To ensure employer-employee dialogue facilitating the transfer of contributions and addressing any net earning concerns, the government mandated all employers — regardless of size — to conclude collective agreements with their employees.

Increase of the minimum wage

The minimum wage increased from RON 1,450 to RON 1,900 gross, representing RON 11.40/hour.

To understand better these changes and for simulation purposes, you can check the 2018 salary calculator for Romania.

Personal income tax

Starting with January 1st, the income tax rate applied on salary income has decreased at 10% as compared to 16% in year 2017.
Summary of the most significant changes affecting employment taxation in 2018

Changes to Slovak payroll related legislation, including tax, social and health insurance, and labour law

Increase of minimum wage

The monthly minimum wage increased from EUR 435 to EUR 480. The minimum hourly wage increased from EUR 2.500 to EUR 2.759.

Wage allowance for weekend and night work

The increase of minimum wage also means an increase in the wage allowance for night work, weekend work and inactive standby duty, which are based on the minimum wage.

From May 1st 2018 the employee should be paid a wage allowance of at least 100% of the average wage for each hour of work on public holidays, 25% of minimum wage on Saturdays and 50% of minimum wage on Sundays. From May 1st 2018 the wage benefit for night work should also be increased by 30% of the minimum hourly wage.

Obligatory publishing of offered wage in job advertisements

As of May 1st 2018 the employer is obliged to publish in job advertisements the sum of the basic component of the wage. After the conclusion of the labour agreement, the employer is obliged to provide to employee at least the wage that was published in the related job advertisement.

Tax credit for children in 2018

From January 2018, the amount of tax credit for children is EUR 21.56 for a child per month, which means EUR 258.72 for a child per year.

Personal allowance in 2018

The (monthly) personal allowance is EUR 319.17 when calculating the tax advance.
Social Insurance – contributions

The maximum assessment base for the calculation of the contributions was increased to EUR 6,384 except for accident insurance.

Sickness benefit and income compensation for work inability

The maximum daily assessment base for the calculation of the sickness benefit is currently EUR 59.9672, and of income compensation for work inability it is EUR 59.9671.

Exemption from pension insurance contributions for working pensioners

From July 1st, 2018 pensioners working on agreement are able to determine the agreement to which they apply the exemption from the payment of pension insurance contributions (old age, permanent disability insurance and payment of the contribution to the reserve solidarity fund). Pension insurance from the agreement is not paid, unless the monthly assessment base exceeds EUR 200.

Health insurance – contributions

The maximum assessment base is cancelled since 2017. The deductible item of payment is max. EUR 380 per month. Over EUR 380 per month it is reduced by double the gap between the income and EUR 380. In case of income from EUR 570 the deductible item is zero. From January 2018, it applies only to employees, in the case of employers it was cancelled.
OTHER GENERAL OBSERVATIONS

Starting January 2018, a higher minimum wage was adopted in the Czech Republic, Hungary, Poland, Romania, Slovakia and Ukraine. Among the social and political reasons to significantly increase minimum wages we can recognize: decrease the unemployment rate (Czech Republic demonstrated this, the sixth increase of the minimum wage in as many years, reflecting solid growth in the Czech economy, which now has the lowest unemployment rate in the European Union), bring in foreign workers (this was the main reason taking into consideration by the Hungarian Government), increase of productivity, reduce inequality and boost the economy.

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