

New tax relief for entrepreneurs employing Territorial Defence and Active Reserve soldiers

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From 1 January 2025, under the Act of 1 October 2024 amending certain laws to support entrepreneurs employing Territorial Defence or Active Reserve soldiers, tax reliefs supporting entrepreneurs employing Territorial Defence (OT) or Active Reserve (AR) soldiers come into force.

What changes does the Act introduce, i.e. does the employment of soldiers give entitlement to soldier tax relief?

As indicated in the justification for the law, the collision between the duties arising from a soldier's being in a service relationship and those arising from an employment contract discourages many employers from hiring OT soldiers as well as ARs. It is also frequently reported that soldiers' relationships with their employers lead soldiers to resign from their service relationship.

The new solutions are designed to make it more attractive to employ OT and AR soldiers, but only those who are not shareholders (partners) of the taxpayer and only if they are paid at least the minimum wage .

Under the Personal Income Tax Act and the Corporate Income Tax Act, employers employing OT or AR soldiers have been given the option to deduct specific amounts from their personal or corporate income tax base, depending on the length of the soldier's service.

Micro-entrepreneurs and small entrepreneurs will be able to increase their deduction amounts by a factor of 1.5. In their case, the deduction from income will be:

- PLN 18,000 after 1 year of continuous service,
- PLN 22,500 after 2 years,
- PLN 27,000 after 3 years,
- PLN 31,500 after 4 years,
- PLN 36,000 after 5 years of service.

For entrepreneurs, not being micro-entrepreneurs or small entrepreneurs, with five or more full-time employees, a factor of 1.2 will apply. Such entities will deduct the following amounts from their income:

- PLN 14,400 after 1 year of continuous service,
- PLN 18,000 after 2 years,
- PLN 21,600 after 3 years,
- PLN 25,200 after 4 years,
- PLN 28,800 after 5 years of service.

Other entrepreneurs will be able to deduct:

- PLN 12,000 after 1 year of continuous service,
- PLN 15,000 after 2 years,
- PLN 18,000 after 3 years,
- PLN 21,000 after 4 years,
- PLN 24,000 after 5 years of service.

Conditions for the application of relief per soldier

The amount of the deduction for the employment of an OT or AR soldier cannot exceed the income earned by the taxpayer in the tax year.

Where a taxpayer has incurred a loss or the amount of income is less than the amount of deductions to which the taxpayer is entitled, the taxpayer may take a deduction in the next five consecutive tax years, but the amount of the deduction may not exceed the amount of taxable profit earned in any of those years.

If an OT or AR soldier is employed for a partial tax year, the deduction is granted in proportion to the number of full months of employment.

A deduction of the soldier's allowance is available:

- for each OT or AR soldier employed under the employment contract,
- who is not a shareholder (partner) of the taxpayer and
- who receives a salary of at least the minimum wage.

The deduction is made in the annual tax return, indicating the soldiers' PESEL number, the number of months and years of continuous service and whether the taxpayer is a micro-entrepreneur, a small entrepreneur or has at least five employees.

At the request of the tax authorities, the employer employing the soldier is obliged to provide certificates, statements and other evidence necessary to establish the right to the deduction.

The relief will be available for income earned from 2025 onwards.

If you are interested in the above topic, please contact us at:

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