

**Social Insurance System ACT
of October 13th 1998**

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Chapter 1.

General Provisions

Article 1.

Social insurance shall cover the following:

- 1) pension insurance,
- 2) disability pension insurance,
- 3) insurance for sick and maternity leave, hereinafter referred to as “sick leave insurance”,
- 4) insurance against accidents at work and occupational disease, hereinafter referred to as “workman’s compensation”.

Article 2.

1. The Act shall determine the following:

- 1) rules for social insurance liability,
- 2) rules for setting social insurance contributions, and the basis for determining the rates thereof,
- 3) principles, procedure and dates for the following:
 - a) filing notification of social insurance participation,
 - b) keeping records concerning the insured and the contribution payers,
 - c) settlement of social insurance contributions, sick leave and workman’s compensation insurance benefits,
 - d) payment of social insurance contributions,
- 4) operating principles of accounts of the insured and the contribution payers,
- 5) organisation and operating principles of the Social Insurance Fund, hereinafter referred to as “FUS” (*Fundusz Ubezpieczen Spolecznych*),
- 6) organisation and operating principles of the Social Insurance Institute, hereinafter referred to as “the Institute” or “ZUS” (*Zaklad Ubezpieczen Spolecznych*),
- 7) operating principles of the Demographic Reserve Fund hereinafter referred to as “FRD” (*Fundusz Rezerwy Demograficznej*) and principles for its management,
- 8) control principles of social insurance tasks performance.

2. The types of social insurance benefits, conditions for eligibility, as well as the rules and procedures for granting such eligibility shall be defined by virtue of separate regulations.
3. Payment of all social insurance benefits shall be guaranteed by the State.

Article 3.

1. Social insurance tasks as defined in this Act shall be performed by the following entities:
 - 1) the Social Insurance Institute,
 - 2) open pension funds as defined by regulations on pension fund organisation and operations,
 - 3) pension insurance institutes as defined by regulations on pension insurance institutes,
 - 4) contribution payers.
2. Tasks relating to the determination of eligibility for benefits, amount and payment of benefits from sick leave insurance shall be performed by the contribution payer against remuneration. The remuneration of contribution payers shall be calculated as a percentage of the benefit amount. The percentage rate and procedures for settlement of the remuneration shall be determined by a decree of the minister responsible for social insurance issues. Other social insurance-related tasks shall be performed by the contribution payers free of charge.
3. The scope of social insurance tasks performed by open pension funds and pension insurance institutes shall be determined by regulations on pension fund organisation and operations and on pension insurance institutes.

Article 4.

The terminology as applied in the Act shall have the following meaning:

- 1) the insured - shall mean individuals liable to at least one form of social insurance referred to in Article 1,
- 2) contribution payer - shall mean:
 - a) the employer as defined by the Labour Code, with relation to the employees, as well as an organisational entity or individual bound by a legal relationship to another individual, such relationship justifying the former to be liable to social insurance,
 - b) an entity which pays social benefits – in respect of individuals who receive social benefits when on holiday leave as well as those who receive social benefits when retraining or searching for new employment,
 - c) an entity on behalf of which paid work is done by individuals serving a prison sentence or temporarily arrested, in respect of individuals who perform the work on the basis of a work appointment,
 - d) an insured individual exclusively liable to pay contributions for the benefit of his or her own insurance,

- e) the Chancelleries of the Houses of the Polish Parliament, the *Sejm* (Lower House of the Polish Parliament) and the Senate in respect of members of both Houses,
 - f) diocese clergymen or superiors of convents and orders in respect of the convent members,
 - g) an organisational entity supervised by the minister responsible for defence issues in respect of
 - non-professional soldiers in active military service or individuals in substitute forms of service
 - professional soldiers,
 - h) an organisational entity supervised by the Main Police Headquarters (*Komenda Główna Policji*) in respect of police officers,
 - i) an organisational entity supervised by the minister responsible for home affairs – in respect of officers and soldiers,
 - j) an organisational entity supervised by the minister responsible for justice in respect of prison service officers,
 - k) social welfare centres in respect of individuals receiving permanent or guaranteed temporary benefits from social welfare,
 - l) the State Security Bureau – in respect of officers of the State Security Bureau
 - m) district job centre – in respect of individuals who receive unemployment benefits or scholarships,
 - n) the Institute in respect of individuals on child care leave and receiving maternity benefit,
 - o) the entity which pays sports scholarship – in respect of individuals who receive these scholarships.
- 3) contributions - shall mean social insurance contributions of individuals defined in item 1,
 - 4) benefits - shall mean benefits and rehabilitation benefits from sick leave and workman's compensation insurance,
 - 5) a settlement declaration - a schedule of information on contributions payable to funds, the contributions being collected by the Institute, amounts charged to contributions and amounts to be paid out,
 - 6) name-specific monthly report - shall mean information on an individual liable to social insurance for a given calendar month, submitted by a contribution payer to the Institute,
 - 7) account of the insured - shall mean an account in which the contributions, as well as other information pertaining to an insured individual's insurance history, is recorded,
 - 8) payer's account – shall mean an account in which the amount of liability in respect of social contributions and other contributions of the payer collected by the Institute, as well as contributions paid, settlement balances and other information about the contribution payer are recorded,

- 9) income – shall mean revenue as per personal income tax regulations derived from: employment under a contract of employment, work by job, service, holding a seat in either House of Parliament, performing work when serving a prison sentence or under temporary arrest, receiving unemployment scholarships or benefits or sports scholarships, from performing non-agricultural business activities, agency contracts and short-term job contracts, as well as from co-operating in those activities or in the execution of a contract,
- 10) income derived from membership in an agricultural manufacturing co-operative or a co-operative of farmers' societies – income derived from work in the co-operative and from manufacture of agricultural products on its behalf,
- 11) open pension fund - a fund selected by the insured from pension funds as described by regulations on pension fund organisation and operations.
- 12) pension insurance institute - a pension insurance institute chosen by the insured, which pays out a life annuity, and acts pursuant to regulations on pension fund organisation and operations.

Article 5.

- 1. Should the individual farmers not be liable to social insurance on the basis of the Act, their social insurance liability shall be governed by separate regulations.
- 2. Citizens of foreign countries not domiciled permanently in Poland, employed by foreign diplomatic agencies, embassies, consulates, missions and special missions or international institutions, shall not be subject to the provisions of the Social Insurance Act, unless international treaties stipulate otherwise.

Chapter 2.

Rules of Social Insurance Liability

Article 6.

- 1. In recognition of clause 3, and Article 8 and 9, mandatory pension and disability pension insurance shall apply to individuals in the territory of Poland who are:
 - 1) employees, with the exception of prosecutors,
 - 2) individuals performing work by job,
 - 3) members of agricultural production co-operatives and co-operatives of farmers' societies, performing their work on a basis other than an employment contract (hereinafter referred to as "co-operative members"),
 - 4) individuals performing work on the basis of agency agreements or short term job contracts, if the contracts have been concluded with one engager for a period longer than 14 days, and the period of interval between two contracts does not exceed 60 days (hereinafter referred to as contractors) and any individuals co-operating with them, in recognition of clause 4,

- 5) individuals engaged in non-agricultural business activities and any individuals co-operating with them,
 - 6) members of both Houses of Parliament receiving relevant remuneration,
 - 7) individuals receiving sports scholarships (hereinafter referred to as “scholarship sportspeople”),
 - 8) individuals performing paid work on the basis of a work assignment while temporarily arrested or serving a prison sentence,
 - 9) individuals receiving unemployment benefits, and graduates receiving scholarships while taking training courses or employed for a trial period, being assigned by the administration district job centre (hereinafter referred to as “the unemployed”),
 - 10) members of the clergy,
 - 11) non-professional individuals in active military service
 - 12) individuals in substitute forms of military service,
 - 13) professional soldiers,
 - 14) police officers,
 - 15) officers of the State Security Bureau,
 - 16) Border Guard officers,
 - 17) National Fire Brigade officers,
 - 18) Prison Service officers, and
 - 19) individuals on child care leave or receiving maternity benefits,
 - 20) individuals receiving social benefits paid while on leave or individuals receiving social welfare benefits paid in the period of retraining or search for another job, resulting from different regulations or collective work arrangements.
2. The principles of pension insurance liability applicable to individuals receiving permanent or guaranteed temporary benefits from the social welfare system are governed by separate legal regulations.
 3. Individuals referred to in clause 1, items 13-18, who took up service after the act came into force, shall be insured under mandatory pension and disability pension insurance.
 4. Individuals referred to in clause 1, item 4, shall not be insured under mandatory pension and disability pension insurance if they are students of post-elementary or university level schools, until they attain the age of 26.

Article 7.

The following individuals shall be eligible for voluntary pension insurance:

- 1) spouses of employees delegated to work with the diplomatic services, in consulates, at permanent representative offices of the United Nations Organisation, as well as on other special missions abroad, and at institutes, information and cultural centres abroad,

- 2) individuals who are not liable to pension insurance for reasons described in Article 6, clause 1 and 2 due to taking care of a family member who is entitled to a nursing benefit,
- 3) Polish citizens performing work abroad with foreign entities, and Polish citizens performing work with foreign entities based within the territory of the Republic of Poland, should these entities not have their seat or representative office in Poland.
- 4) Students and participants of full time PhD studies, if they are not eligible for pension benefits from other titles,
- 5) Alumni of religious seminars, novices, postulants and juniorists, until they attain the age of 25.

Article 8.

1. An employee shall be deemed to be any individual on an employment contract, in recognition of clause 2.
2. For the purposes of social insurance an employee shall be deemed to be a co-operating individual, as long as they meet the criteria for co-operating individuals described in clause 11.
3. An individual performing work by job shall be deemed to be a person employed on the basis of a work by job contract.
4. A co-operative member shall be deemed to be a member of an agricultural manufacturing co-operative, or of another type of co-operative engaged in agricultural production, functioning according to Art. 138-178 and Art. 180 § 3 of the Act of September 16th 1982 – Co-operative Law (*Journal of Law* of 1995, No. 54, item 288 and No. 133, item 654, of 1996, No. 5, item 32, No. 24, item 110 and No. 43, item 189, and of 1997, No. 32, item 183, No. 111, item 723, and No. 121, items 769, and 770) who performs work on behalf of the co-operative on grounds other than an employment contract or produces agricultural products on its behalf on a farm run by himself.
5. A co-operative member as described in clause 4 shall be considered equal to any other individual who is not a member of the co-operative and who performs work for the benefit of the co-operative or on the co-operative's farm on grounds other than a contract of employment, should they be remunerated according to the principles applicable to co-operative members and candidates.
6. Individuals engaged in non-agricultural business activities shall be deemed to be:
 - 1) individuals operating a business enterprise on their own pursuant to regulations applicable to business activities or other specific regulations,
 - 2) individuals engaged in creative work and artists,
 - 3) individuals engaged in freelance work pursuant to personal income tax regulations.

7. Individuals involved in creative work, as described in clause 6, item 2, shall be deemed to be individuals creating work (subject to copyright) in fields such as architecture, interior design, landscape architecture, town planning, literature, art, music, photography, audio-visual creations, choreography, and artistic string instrument manufacturing, as well as folk art.
8. Artists, as described in clause 6, item 2, shall be deemed to be individuals performing paid work in fields such as acting and stage performance, stage and theatre performance production, dance, the circus, or in conducting, vocal or instrumental performance, costume and stage design, as well as audio-visual production: directors, script writers, image and sound operators, film editors, and stunt performers.
9. Work shall be deemed to be creative or artistic and the date of its commencement shall be decided by the Committee for Pension Benefits for Individuals Involved in Creative Work, operating under the aegis of the minister responsible for culture issues.
10. The minister responsible for culture issues in consultation with the minister responsible for social insurance shall appoint, by virtue of a decree, the Committee referred to in clause 9, and shall determine in detail its tasks and composition and operating procedures.
11. Individuals co-operating with individuals engaged in non-agricultural business activities and contractors described in Article 6, clause 1, item 4 and 5, shall be deemed to be the spouse, children, the spouse's children, adopted children, parents, stepmother and stepfather, and adopted parents of the individuals, as long as they share a joint household and co-operate in their business activities or in the realisation of an agency agreement or a short term job contract, except for individuals who have concluded an employment contract with a view to preparing for a job.
12. Scholarship sportspeople shall be deemed to be individuals receiving a sports scholarship, with the exception of school or university level students if they are not liable to pension or disability pension insurance on grounds of other titles.
13. Members of the clergy shall be deemed to be members of the clergy and of male and female convents and religious orders of the Catholic Church and other churches and religions, except for alumni of religious clerical seminars, novices, postulants and juniorists who have not attained 25 years of age.
14. Employment within the territory of the Republic of Poland shall also mean the employment of Polish citizens abroad with Polish diplomatic services and at consulates, at permanent representative offices of the United Nations Organisation, other missions, and on other special missions abroad, as well as at other Polish entities, institutions or enterprises, unless international agreements provide otherwise.
15. Individuals in service shall be deemed to be professional soldiers, and officers of:
 - 1) The Police
 - 2) The State Security Bureau
 - 3) The Border Guard

- 4) The National Fire Brigades
- 5) The Prison Service.

Article 9.

1. In recognition of clause 5, individuals referred to in Article 6, clause 1, item 1, 3, and 12 - 18, who concurrently meet the criteria for mandatory pension insurance coverage from other titles, shall be covered by the insurance only on grounds of employment on an employment contract, membership in a co-operative or service. They may also receive pension insurance cover on grounds of other titles on a voluntary basis, on application.
2. Individuals who meet the criteria for mandatory pension insurance cover on the grounds of several titles referred to in Article 6, clause 1, item 2, 4 - 6, and 10, shall be liable to insurance on the grounds of the title which arose first. Individuals may, however, upon application, also be liable to voluntary pension insurance on the grounds of all or selected titles, or may change the title of insurance, in recognition of clause 7.
3. An individual engaged in several types of non-agricultural business activities shall be liable to pension and disability pension insurance on the grounds of one chosen type of activity.
4. Individuals referred to in Article 6, clause 1, item 1, 3, and 13 - 19, who have an established right to a pension or disability pension, shall be liable to mandatory pension and disability pension insurance.
5. Individuals referred to in Article 6 and not mentioned in clause 4, who have an established right to a pension or disability pension, shall be liable to voluntary pension insurance.
6. Individuals referred to in Article 6, clause 1, items 8 and 19, shall be liable to mandatory pension and disability pension insurance if they do not have an established right to pension or disability pension and are not eligible for social insurance benefits on the grounds of other titles.
7. Members of the clergy who may be liable to both the mandatory pension insurance and the disability pension insurance on the grounds of engaging in business activities shall be liable to insurance in respect of being engaged in such activities.

Article 10.

Individuals with mandatory pension and disability pension coverage and individuals referred to in Art. 7 item 3, shall be entitled to voluntary continuation thereof following its expiry only if the period of coverage exceeds 10 years; there will be no obligation to pay a minimum benefit should the balance of the individual's account not ensure it.

Article 11.

1. Individuals mentioned in Article 6, clause 1, items 1, 3 and 12, shall be eligible for mandatory sick leave insurance.

2. Individuals liable to mandatory pension and disability pension insurance as stipulated by Article 6, clause 1, items 2, 4, 5, and 8 and 10, shall be eligible for voluntary sick leave insurance upon application.

Article 12.

1. Individuals liable to pension and disability pension insurance shall be eligible for mandatory workman's compensation insurance in recognition of provisions contained in clause 2 and 3 hereto.
2. Neither the unemployed who receive unemployment benefits nor the individuals defined in Article 6, clause 2, items 2, 11, and 13 - 20, Article 7 and in Article 10 shall be eligible for workman's compensation insurance.
3. Individuals referred to in Article 6, clause 1, item 4 shall not be eligible for workman's compensation insurance if they perform their work outside the premises of their engager.

Article 13.

Individuals shall be eligible for mandatory pension, disability pension, sick leave and workman's compensation insurance in the following periods:

- 1) employees - from the date of concluding an employment contract to the date of its cancellation,
- 2) individuals performing work by job and contractors - from the date defined in the relevant contract as the date of commencement of work to the date of cancellation or expiry of the contract,
- 3) co-operative members - from the date of commencement of work on behalf of the co-operative to the date of its cessation,
- 4) individuals engaged in non-agricultural business activities - from the date of commencement of these activities to the date of their cessation,
- 5) co-operating individuals - from the date of commencement of co-operation in non-agricultural business activities or performance of work pursuant to an agency contract or a short term job contract to the date of ending this co-operation,
- 6) Members of Parliament - from the date of obtaining the right to relevant remuneration to the date of loss of these rights,
- 7) scholarship sportspeople - from the date of meeting the criteria referred to in Article 8, clause 12, to the date they cease to meet these criteria,

- 8) individuals who perform paid work while serving a prison sentence or being under temporary arrest - from the date of commencement of the work to the date of its cessation,
- 9) the unemployed - from the date of acquiring the right to a benefit or scholarship to the date of losing this right,
- 10) members of the clergy - from the date of being accepted as members of clergy to the date of withdrawal,
- 11) non-professional soldiers in active military service and individuals in substitute forms of service - from the date of appointment or called-up to the date of being dismissed from service,
- 12) individuals referred to in Article 6, clause 1, item 13 - 18 - from the date of appointment to the date of dismissal from service,
- 13) individuals on child care leave or receiving maternity benefits - from the date of complying with the necessary conditions referred to in Article 9, clause 6, to the date of ceasing to comply with the conditions described thereunder.
- 14) individuals referred to in Article 6, clause 1 item 20 – from the date of acquiring the right to the social benefits or social welfare benefits to the date of losing this right.

Article 14.

1. Voluntary pension and disability pension insurance coverage shall be deemed to be valid as of the date specified in the application for insurance coverage, albeit no earlier than the date of the application being filed.
2. Voluntary pension and disability pension insurance coverage, referred to in clause 1, shall expire:
 - 1) as of the date specified in the application for insurance coverage expiry, albeit no earlier than the date of the application being filed,
 - 2) upon failure to pay such contributions for these types of insurance due for one full month. In justified cases the Institute may reconstitute the term of contribution payment (following an application from the insured),
 - 3) as of the date of termination of the eligibility title.
3. A period of receiving pay during illness or isolation due to contagious diseases, as well as periods during which benefits are received shall not be deemed to be a period of failure to pay contributions.

Chapter 3. Rules of Defining Social Insurance Contributions

Article 15.

1. The rates of contributions for pension, disability pension, and sick leave insurance shall be identical for all insured.
2. The rate of contribution for workman's compensation insurance shall be diversified for contribution payers, and depend both on the extent of occupational hazard involved, and of the outcome of such hazard.

Article 16.

1. Pension and disability pension insurance contributions for the following:
 - 1) employees,
 - 2) individuals performing work by job
 - 3) co-operative members,
 - 4) contractors,
 - 5) members of both the House of Sejm and House of Senate,
 - 6) scholarship sportspeople,
 - 7) individuals performing paid work on the basis of a work assignment while serving a prison sentence or being under temporary arrest,
 - 8) co-operating individuals
 - 9) professional soldiers,
 - 10) police officers,
 - 11) State Security officers
 - 12) Border Guard officers,
 - 13) Fire Brigade officers,
 - 14) Prison Service officers,

shall be covered in equal shares by the insured and by contribution payers, in recognition of clause 7.

2. Sick leave insurance contributions for relevant individuals specified in clause 1, item 1-4, 7, and 8 shall be paid in full by the insured themselves, and from their own funds.
3. Workman's compensation insurance contributions for individuals specified in clause 1, items 1, and 3-8, individuals co-operating with individuals engaged in non-agricultural business activity, and the unemployed who receive scholarship, shall be paid in full by contribution payers, from their own funds.
4. Pension, disability pension, and workman's compensation insurance contributions for individuals:
 - a) engaged in non-agricultural business activities,
 - b) referred to in Articles 7 and 10,

shall be paid in full by the insured themselves, from their own funds.

5. Contributions for pension and disability pension insurance of non-professional soldiers in active military service and individuals in substitute forms of service, as well as contributions for sick leave insurance of individuals in service substitute to mandatory military service shall be fully financed from the funds administered by the minister responsible for defence issues.
6. Contributions for pension and disability pension insurance of individuals who receive permanent or guaranteed temporary benefits from social welfare, shall be financed in full by social welfare centres.
7. Contributions for pension and disability pension insurance of individuals who are in service as candidates for Police, Border Guard and National Fire Brigades officers shall be financed in full by the relevant headquarters from funds placed at their disposal.
8. Contributions for pension and disability pension insurance of individuals on child care leave and individuals receiving maternity benefits shall be fully financed from the State budget.
9. Contributions for pension and disability pension insurance of the unemployed shall be fully financed by administration district job centres from the labour fund.
10. Pension, disability pension and workman's compensation insurance of individuals referred to in Article 6, clause 1, item 1, shall be financed as follows:
 - a) by the members of the clergy - 20% of the contribution, and from the Church Fund - 80% of the contribution,
 - b) from the Church Fund - 100% of the contribution amount for members of contemplative and enclosed convents and religious orders, and missionaries in the periods when they engage in work in mission territories.
11. Sick leave insurance contributions of clergymen shall be financed in full by the clergymen themselves, from their own funds.
12. Contributions for pension and disability pension insurance of individuals referred to in Article 6, clause 1, item 20, and clause 2, shall be financed in full from the State budget.
13. Contributions for social insurance of some employed handicapped individuals shall be financed, pursuant to Article 25 of the Act of August 27th 1997 on occupational and social rehabilitation and employment of the handicapped (*Journal of Law* No. 123, item 776, and No. 160, item 1082, and from 1998, No. 99, item 628, and No. 106, item 668).
14. The minister responsible for social insurance matters in consultation with the minister responsible for the budget, shall determine, by virtue of a decree, the type of documents which will form the basis of financial settlement of contributions, referred to in clause 13.

Article 17.

1. Pension, disability pension, workman's compensation and sick leave insurance contributions for individuals specified in Article 16, clauses 1-3 and 5 - 13, shall be calculated, settled and delivered to the Institute by contribution payers exclusively.
2. Contribution payers specified in clause 1 shall calculate the portion of the pension, disability pension, and sick leave insurance contributions financed by the insured, and after deducting it from the income of the insured shall transfer them to the Institute.
3. Pension, disability pension, sick leave, and workman's compensation insurance contributions for individuals not specified in clause 1, shall be calculated and paid to the Institute by the insured themselves each month.

Article 18.

1. The basis of the pension and disability pension insurance contribution rates for the insured specified in Article 6, clause 1, items 1-3 and 8, and items 13 - 18, shall be deemed to be income, as described by Article 4, items 9 and 10, in recognition of clause 2, clause 4 item 5, and clause 13.
2. The basis of the pension and disability pension insurance contribution rates of individuals referred to in Article 6, clause 1, item 1 - 3, shall include neither remuneration paid for the period of inability to work due to sickness or isolation resulting from contagious disease, nor benefits.
3. The basis of the pension and disability pension insurance contribution rates for contractors shall be defined in compliance with the provisions of clause 1, should the agency or short term job contract specify the amount of pay for services thus rendered in actual monetary terms, or as an amount per hour or per piece.
4. The basis of the pension and disability pension insurance contribution rates for the following:
 - 1) members of both the House of Sejm and House of Senate - shall be deemed to be the remuneration amount,
 - 2) scholarship sportspeople - shall be deemed to be the scholarship amount,
 - 3) the unemployed - shall be deemed to be the unemployment benefit or scholarship amount,
 - 4) individuals described in Article 6, clause 1, item 20 – shall be deemed to be the amount of social benefit or social welfare benefit,
 - 5) non-professional soldiers in active military service and insured individuals in substitution forms of military service, candidates for Police, Border Guard and State Fire Brigades officers, as well as clergymen - shall be deemed to be the lowest salary rate determined by the minister responsible for labour issues on the basis of Article 77⁴ of the Labour Code, hereinafter referred to as the lowest salary,
 - 6) soldiers serving additional terms in the army – shall be deemed to be the amount of the remuneration,

- together with the tax deductible costs and the amount of the tax liability described in personal income tax regulations.
5. The basis of the pension and disability pension insurance contribution rates of individuals who receive permanent or guaranteed temporary benefit from social welfare, as well as individuals on child care leave, shall constitute the lowest salary.
 6. The basis of the pension and disability pension contribution rates for individuals receiving maternity benefits shall be deemed to be the amount of that benefit.
 7. The basis of the pension and disability pension insurance contribution rates for the insured specified in Article 6, clause 1, item 4, as well as for the insured liable to voluntary pension and disability pension insurance, shall be deemed to be the amount declared, not lower than the lowest salary, in recognition of clauses 3, 9, and 10.
 8. A declared amount, no lower than 60% of average monthly salary in the previous quarter shall comprise the basis for calculation of pension and disability pension contribution rates referred to in Article 6, clause 1, item 5.
 9. With regard to the month when pension or disability pension insurance obligations arose or terminated, and when they related to a month which was not a full calendar month, the basis of the lowest pension and disability pension insurance rates shall be proportionally decreased by dividing them by the number of calendar days in the given month and then multiplying by the number of days the insurance cover was in force.
 10. The rules for decreasing the lowest basis of contribution rates referred to in clause 9 shall be applied respectively in case of receiving benefits for a part of a month.
 11. On application by an insured individual, referred to in Article 6, clause 1, item 10, the basis of contribution rates may exceed the basis defined in clause 4, item 5. The part of contribution on declared income exceeding the lowest salary shall be financed by members of the clergy, and institutions of dioceses and religious orders.
 12. A monetary equivalent of unused holiday leave payment to which the individuals described below are entitled shall form the basis of pension, disability pension, sick leave and workman's insurance contribution rates for employees directed to work or service in diplomatic agencies, consulates, permanent representative United Nations offices and other special missions abroad.
 13. In respect of employees whose remuneration is financed from Guaranteed Employee Remuneration Fund funds, income referred to in clause 1 shall be deemed to be remuneration receivable by the employee for the period to which the financing pertains.

Article 19.

1. The annual basis of contribution rates for pension and disability pension insurance of individuals mentioned in Articles 6, 7 and 10 in a given calendar year may not exceed the equivalent of thirtyfold the projected average monthly salary rate in the national economy sectors for a given calendar year as determined in the Budget Law or in its draft if the Budget Law has not yet been passed, in recognition of clause 2 and 9.
2. If the basis of average monthly salary rate referred to in clause 1 cannot be established, the salary shall be established on the basis of the average monthly salary from the third quarter of the preceding calendar year.
3. Until the amount referred to in clause 1 has been collected, the pension and disability pension insurance contributions shall be calculated and transferred to the Institute on the basis of the amount determined in accordance with Article 18. No pension and disability pension contributions shall be calculated from amounts exceeding the amount mentioned in clause 1.
4. If the individual referred to in clause 1 is entitled to a pension and disability pension insurance cover on the grounds of several titles, the Institute shall immediately inform the contribution payers and the said individual via the contribution payers once the amount referred to in clause 1 has been collected.
5. If the contribution payers or the insured themselves shall be obliged to pay contributions on behalf of the individuals referred to in clause 1, the insured, after exceeding the annual basis of contribution rates may submit a declaration on cessation of withholding contributions, and inform the Institute, through the payer, of the fact. The insured shall be responsible for the effects of an erroneous declaration.
6. The Institute shall check the annual basis of pension and disability pension contributions on a current basis. If the Institute learns that the annual basis for contributions exceeded the amount stipulated in clause 1, the Institute shall return the contributions calculated and paid in the amount exceeding the amount stipulated. Contributions paid into open pension funds shall not be reimbursed.
7. The period in which pension and disability pension insurance contributions are not paid due to exceeding the amount of annual basis of contribution rates as described in clause 1 during the calendar year shall be treated as an insurance period within the meaning of regulations on pension and disability pension paid from the Social Insurance Fund.
8. The regulation of clause 7 shall apply to individuals who pursuant to Articles 13 and 14, clause 2, ceased to be liable to pension and disability pension insurance, respectively, after having paid contributions calculated on the basis of the annual base rate referred to in clause 1.
9. The regulation of clause 8 shall not apply to sick leave and workman's compensation insurance liability.
10. The minister responsible for social insurance issues shall by the end of a calendar year announce in Monitor Polski, the official journal of the Republic of Poland the amount constituting the limit on the basis of the contribution rates, referred to in clause 1.

Article 20.

1. The basis of the sick leave and workman's compensation insurance contribution rate shall be deemed to be the basis of the pension and disability pension insurance contribution rate, in recognition of the provisions contained in clause 2 hereto.
2. The limitations defined in Article 19 clause 1 shall not apply when determining the basis of sick leave and workman's compensation insurance contribution rates.

Article 21.

The minister responsible for social insurance issues shall determine, by virtue of a decree, detailed rules for the determination of the basis of contribution rates, taking into consideration the limitation referred to in Article 19, clause 1, and exclusion of some types of income from the calculation of the contribution basis.

Article 22.

1. The rates for social insurance contributions shall amount to:
 - 1) 19.52 % of the basis of contribution rate - for pension insurance in recognition of clauses 3 and 4,
 - 2) 13.00 % of the basis of contribution rate - for disability pension insurance,
 - 3) 2.45 % of the basis of contribution rate - for sick leave insurance,
 - 4) from 0.40 % to 8.12 % of the basis of contribution rate - for workman's compensation insurance.
2. In recognition of Article 121, the Institute shall define - by virtue of a decision - for each and every contribution payer, for a period no longer than three years, the contribution rate for workman's compensation insurance. Regulations of the Act on Social Insurance with regard to Accidents at Work and Occupational Diseases shall determine the rules for differentiation of workman's compensation insurance contribution rates.
3. A portion of the pension insurance rate which originated from the insured individual's contributions, in the amount of 7.3% of the basis of calculation of the contribution rate, shall be transferred by the Institute to an open pension fund selected by the insured, in recognition of Article 111.
4. One part of the pension insurance contribution in the amount of 1% of the basis of the contribution rates shall be transferred by the Institute to FRD, in recognition of Article 112, clause 2.

Article 23.

1. Late payment penalty interest shall be due from contribution payers on any contributions not paid on a timely basis, in compliance with the rules and rates determined by the provisions of the Tax Law of August 29th 1997 (*Journal of Law* No. 137, item 926, and No. 160, item 1083).
2. Interest realised on the portion of the pension insurance contribution mentioned in Article 22, clause 3, shall be paid to the individual account of the insured in the open pension fund chosen by the insured.
3. Contributions collected in administrative or court execution proceedings as well as contributions paid in instalments, and respectively indexed, shall be recorded in the account of the insured individual, if the account had not been earlier supplemented pursuant to procedures defined in Article 40.
4. Regulations of clauses 2 and 3 shall pertain to contributions transferred from the Guaranteed Employee Benefit Fund.

Article 24.

1. Should contribution payers fail to pay contributions or pay them in insufficient amounts, the Institute shall be entitled to impose an additional fee thereon, at a rate of up to 100% of any contribution payment due. The decision on the additional fee may be appealed in court according to the rules described in Article 83.
2. Contributions, as well as any late payment penalty interest, execution costs, additional fees and prolongation fees, hereinafter referred to as contribution dues, not paid in time shall be subject to collection in compliance with the administrative or court execution procedure regulations.
3. Contribution dues shall be collected in compliance with administrative execution procedures before any other dues, with the exception of: execution expenses, payroll creditors, alimony dues, and annuities paid out as compensation for inflicting a disease, rendering an individual disabled or unable to work, or causing their death, as well as costs of the terminal illness and funeral expenses of the debtor, in amounts corresponding to local custom.
4. Contribution dues shall be deemed prescribed following a period of 5 years, and should the course of prescription as provided for in clause 5 be interrupted, they shall be deemed prescribed following a period of 10 years as of the date of maturity thereof.
5. The course of prescription shall be interrupted by a postponement of the social insurance contribution payment date, by dividing any such payables due into instalments, as well as by any other action aimed at the collection thereof, if the debtor had been duly informed of any such action.
6. The course of prescription defined in clauses 4 and 5 shall be suspended from the date of death of the bequeather to the date of validation of the court's decision on the transfer of the estate, however no later than within two years of the death of the bequeather.

7. No insurance contributions paid unnecessarily can be claimed from the Institute for reimbursement, should 5 years have passed as of the moment of paying the same.
8. Contributions paid unnecessarily to an open pension fund shall be appropriated to future contribution payments.
9. Late payment interest, execution costs and additional fees shall be fully financed by the contribution payer from his own funds.

Article 25.

Contribution dues shall be excluded from any reconciliation procedures as provided for by reconciliation procedure regulations.

Article 26.

1. The Institute has a right to put forward an application to start a mortgage register in respect of the real estate of a debtor who has failed to pay social insurance contributions, also when the debtor is a state organisational entity which is not a budgetary entity.
2. Documents issued by the Institute which testify to the existence of liabilities in respect of social insurance contributions and state their amount shall form the basis of a mortgage entry into the mortgage register of the real estate owned by the liable party. If the real estate is not accompanied by a mortgage register, the collateral takes the form of filing those documents.
3. Contribution dues shall be secured by statutory mortgage on all real property of the debtor. The mortgage shall be instated on the date when the Institute issues a decision on the amount of contribution dues.
4. Relevant regulations of the Tax Law relating to statutory mortgage shall apply to the mortgage referred to in clause 3.

Article 27.

1. Contribution dues shall be secured by the statutory right to lien on movable property and transferable rights of the debtor.
2. Relevant provisions of the Tax Law relating to treasury liens shall apply to the lien referred to in clause 1.
3. An excerpt from the lien register referred to in Article 46 paragraph 1 of the Tax Law shall be submitted free of charge following an application by the Institute.

Article 28.

1. Contribution dues may be cancelled wholly or partially by the Institute, in recognition of clauses 2-4.

2. Amounts due in respect of contributions may only be cancelled in case of absolute uncollectibility.
3. Absolute uncollectibility mentioned in clause 2 occurs when:
 - 1) the debtor has died without leaving any property, or has left movables not subject to execution on the basis of separate regulations, or has left household articles of everyday use whose total value does not exceed three times the amount of an average salary, and, simultaneously, there exists no possibility of passing the liability on to third parties,
 - 2) a court of law has waived the motion to declare the debtor's bankruptcy or has discontinued bankruptcy proceedings for the reasons mentioned in Article 13 and in Article 218, paragraph 1, item 1 in recognition of paragraph 2 of the decree of the President of the Republic of Poland of October 24th 1934 - the Bankruptcy Law (*Journal of Law* of 1991 No. 118, item 512, of 1994, No. 1, item 1, of 1995, No. 85, item 426, of 1996, No. 6, item 43, No. 43, item 189, No. 106, item 496, and No. 149, item 703, of 1997, No. 28, item 153, No. 54, item 349, No. 117, item 751, No. 121, item 770, and No. 140, item 940)
 - 3) as regards debtors who are legal persons, when the debtor has been removed from the relevant register of legal persons, and in view of a lack of property that might form the basis of exacting the payment, and in view of a lack of possibility of passing the liability on to third parties,
 - 4) the receivable was not settled after the liquidation proceedings had been finalised,
 - 5) the tax office competent to conduct execution proceedings has declared absolute uncollectibility of the receivable,
 - 6) it is clear that the amounts collected via execution proceedings shall not exceed the costs of those proceedings.
4. The cancellation of contributions causes also cancellation of late payment penalty interest, additional fee, execution costs due to the Institute, as well as the prolongation fee.

Article 29.

1. For business or any other reasons worth taking into consideration, the Institute may postpone the date of payment of any contributions due, and may divide the payment due into instalments, in recognition of the payer's ability to pay, as well as of the financial condition of the social insurance. The postponement of the date of payment may relate only to dues paid by the contribution payer.
2. From the date of receipt of an application for allowance no late payment penalty interest shall be calculated on contributions which have been divided into instalments.

3. If the debtor fails to pay instalments within the deadlines set by the Institute, the remaining amount shall be payable immediately together with late payment interest calculated pursuant to rules the set out by the Tax Law.
4. In cases referred to in clause 1, the Institute shall determine a prolongation fee according to rules and in the amount stipulated by the Tax Law for taxes which comprise income from the State budget.

Article 30.

Articles 28 and 29 shall not apply to contributions financed by insured individuals who are not contribution payers.

Article 31.

The following shall apply to contribution dues: Article 26, Article 29, paragraph 1 and 2, Article 33, paragraph 1 - 4 and 6 - 7, Article 51, paragraph 1, Article 55, Article 59, paragraph 1, item 1 and 3, Article 60, paragraph 1, Article 61, paragraph 1, Article 62, Article 72, paragraph 1 item 1, Article 74, paragraph 1, item 1, Article 75, paragraph 1, Article 76, paragraph 1, item 1c, and e, and paragraph 2 and 3, Article 77, paragraph 1 and 2, item 1 and 2, and paragraph 4, Article 91, Article 93, paragraph 1 - 3, Article 94, Article 97, paragraph 1, Article 98, paragraph 1, paragraph 2, item 1 - 2, 4 - 5 and paragraph 3, Article 100, paragraph 1, Article 101, paragraph 1 and 3, Article 105, paragraph 1 - 3, Article 106, paragraph 1 and 2, Article 107, paragraph 1 and 2, items 2 and 4, Article 108, paragraph 1 and 3, Article 110, paragraph 1 and 2, item 2, Article 111, paragraph 1 - 4, and paragraph 5, item 1, Article 112, paragraph 1 - 4, paragraph 5, item 2, paragraph 6 - 9, Article 113, and Article 115 - 119 of the Tax Law.

Article 32.

Regulations pertaining to social insurance contributions shall apply to collecting contributions, their execution, late payment interest calculations, additional fees, penal regulations and instituting securities on all real property, movables and transferable rights of the debtor as well as application of relief and write-offs with relation to contributions to the Labour Fund, Guaranteed Employee Benefit Fund, health insurance and State Fund for the Rehabilitation of the Handicapped.

Chapter 4.

Filing Notification of Insurance Participation and Managing Contribution Payer Accounts and Rules for Contribution and Benefit Settlement

Article 33.

1. The Institute shall be responsible for maintaining the following records:
 - 1) accounts of the insured, each of which shall be marked with an identification number assigned to the insured by the Government Information Centre of the General Electronic Population Evidencing System (*Rzadowe Centrum Informatyczne Powszechnego Elektronicznego Systemu Ewidencji Ludnosci - RCI PESEL*),
 - 2) contribution payer accounts marked with the NIP (*numer identyfikacyjny podatnika*) taxpayer identification numbers assigned by the Tax Office,
 - 3) Central Register of the Insured,
 - 4) Central Register of Contribution Payers.
 - 5) Central Register of Members of Open Pension Funds,
 - 6) Central Register of Individuals who Receive Their Pensions from the Pension Insurance Institutes,
 - 7) other registers necessary to execute tasks subject to separate regulations.
2. If the insured individual referred to in clause 1, item 1 has not been assigned the PESEL number, did not inform of the number or if there are doubts as to its correctness, the account of the insured shall be marked with the NIP number or with the passport or identity card series and number.
3. Regulations of clause 2 shall be applied to contribution payers respectively, on the stipulation that their accounts in such cases shall be marked with: the REGON (central register for identification of business entities) number, the PESEL number, or the series and number of the passport or identity card.
4. The Institute shall be entitled to use the following, free of charge:
 - 1) RCI PESEL Central Data Base,
 - 2) the data base of the National Taxpayer Evidencing System, in compliance with principles as provided in the Taxpayer Evidencing and Identification Act,
 - 3) business entity identification system REGON maintained by the President of the Main Statistical Office.
5. The minister responsible for social insurance matters shall determine, by virtue of a decree, the detailed scope of data to be included in registers referred to in clause 1, items 3-7, taking into account also data relating to education and profession practised.

Article 34.

1. The Institute shall ensure the integrity and completeness of any information collected both in the accounts of the insured and the contribution payer accounts in compliance with principles laid down in the provisions contained in this Act.

2. Information included in the insured individuals' accounts and in the accounts of the contribution payer maintained in an electronic form which have been transferred as a print-out or as an electronic file, shall constitute evidence in administrative and court proceedings in respect of social insurance.
3. Information contained in the accounts of the insured, the contribution payer accounts, and source data constituting the basis for these records shall be protected according to regulations on the protection of personal data.
4. Personal data and other information held in the accounts of the insured shall be accessible only as stipulated by the Act.

Article 35.

Both the insured and the contribution payers shall be obliged to provide the numbers assigned to them as specified by Article 33, clause 1, items 2 and 3, on each and every document form connected with social insurance, including contribution payment and settlement and granting and payment of benefits in accordance with separate regulations.

Article 36.

1. Each and every individual with mandatory pension and disability pension insurance coverage shall be liable to file notification of participation in the social insurance scheme.
2. The duty of filing name-identified social insurance participation notification of individuals specified in Article 6, clause 1, items 1-4, 6 - 9, 11-18, and clause 2, members of the clergy who are members of convents or religious orders, as well as of any individuals co-operating in business activities, referred to in Article 8, clause 11, shall remain the sole responsibility of the contribution payer.
3. The duty of filing notification of social insurance participation of individuals specified in Article 6, clause 1, items 5, 6, 10 and 19, in recognition of clause 2, shall remain their responsibility.
4. The notification as specified in clauses 2 and 3 shall be filed within a period of 7 days as of the date of commencement of the insurance liability, in recognition of provisions contained in clause 5 hereto.
5. Any individuals liable to social insurance following the principle of voluntary participation, with the exception of individuals who intend to continue pension and disability pension insurance, shall file a respective application for insurance coverage within a period defined at their discretion. Regulations of clause 2 and 3 shall be applied respectively.
6. Individuals wishing to continue their pension and disability pension insurance coverage, shall file a respective application within a term of 30 days as of the date of expiry of the social insurance liability.

7. The correctness of data included in an application for social insurance shall be confirmed by the signature of the applicant.
8. Should applications be forwarded to the Institute in the form of an electronic document, the written application with the signature of the applicant shall be kept by the payer for 5 years.
9. Any notification of social insurance participation made according to the specified format shall be filed with an organisational entity of the Institute. On the basis of the first application for social insurance participation an account as described in Article 33, clause 1, item 1, shall be opened.
10. A notification of social insurance participation shall include specifically the following data in respect of the individual to be insured: PESEL, NIP or another number referred to in Article 33 clause 2, surname, first and second names, date of birth, maiden name, citizenship and sex, and in the case of a foreigner, possession of a permanent or temporary residence card issued upon granting the status of a refugee, the insurance title, work time status, degree of relationship or relationship by marriage and sharing a common household with the employer, engager, individual engaged in non-agricultural business activities, degree of handicap, degree of inability to work, being engaged in work in special conditions or of a special character, having a predetermined right to pension or disability pension benefits, permanent residential address, temporary address if different from permanent residential address, correspondence address if different from permanent residential address and temporary address.
11. Each and every individual who has lost social insurance eligibility shall be deleted from the register of the insured. The contribution payer shall be obliged to file a notification on the deletion within 7 days of the fact taking place. Regulations of clauses 2-3, and 9 shall be applied respectively.

Article 37.

1. Should no notification be filed with the social insurance system in compliance with the provisions contained in Article 36, clauses 2-4, such notification shall be filed by the Institute.
2. Authorities responsible for issuing permits for engaging in non-agricultural business activities referred to in Article 8, clause 6, shall forward to the organisational entity of the Institute copies of the permits granted to physical entities and to organisational entities with no personality at law, as well as copies of decisions withdrawing those permits, if they are not obliged to be entered in the national official register of business entities REGON.

Article 38.

1. Should any dispute arise with regard to social insurance liability, the Institute shall issue its own decision both to the individual concerned and to the contribution payer.

2. The Institute shall also issue a decision about social insurance coverage in the event of the insurance coverage application having been filed by the Institute.

Article 39.

1. The insured shall be obliged to conclude an agreement with an open pension fund no later than within the period mentioned in Article 36, clause 4, in recognition of Article 11, clause 2 and Article 111.
2. If the insured does not conclude the agreement mentioned in clause 1 hereto within 14 days of the insurance liability coming into force, the Institute shall demand in writing that the insured conclude an agreement with an open pension fund no later than by the last but one working day of a given quarter. If less than 30 days remain from the date of receipt of the demand to the last but one working day of a given quarter, the relevant deadline shall expire on the last but one day of the following quarter of the calendar year. If the insured does not meet the obligation to sign an agreement in these periods, the Institute shall determine the open pension fund by way of a drawing of lots.
3. The Institute shall perform the drawing of lots referred to in clause 2 on the last working day of each calendar quarter, and the number of insured obtaining membership in particular open funds, determined by way of the drawing of lots, should be proportional to the number of members of these funds as at the end of the quarter preceding the quarter in which the drawing of lots is held.
4. Until the date of the drawing of lots mentioned in clauses 2 and 3, the portion of the contribution referred to in Article 22, clause 3, shall be deposited in a separate account maintained by the Institute. The nominal value of the contribution shall be transferred to the insured individual's account in the allotted open pension fund.
5. The minister responsible for social insurance issues shall determine, by virtue of a decree, detailed rules for the drawing of lots held by the Institute, as described in clause 2 and 3.

Article 40.

1. Information on the amount of pension contributions paid and indexed after the transfer of contributions to an open pension fund shall be kept in the account of the insured.
2. Other data registered in the account of the insured shall comprise in particular:
 - 1) data included in the notification of social insurance, name specific monthly report, and settlement declaration,
 - 2) data on membership in an open pension fund and periods of transfer of contributions to the fund,
 - 3) data on membership of a medical care society (*kasa chorych*) and on dates of transfer of contributions to this society,

- 4) data on amounts of pension, sick leave, workman's compensation and health insurance contributions due and paid and on the amount of contributions due and transferred to an open pension fund,
 - 5) data on non-insurance facts influencing the social insurance eligibility and amounts,
 - 6) information on the amount of life annuity paid by a Pension Insurance Institute,
 - 7) information indispensable to award and pay out social insurance benefits and benefits financed from the State budget, and on any payments made,
 - 8) data necessary to establish the initial capital,
 - 9) data on the initial capital and indexed initial capital,
 - 10) data necessary for the Institute to execute tasks assigned on the basis of different regulations.
3. An insured who determines within 3 months of the receipt of remuneration that the contribution payer has not paid the contributions due in respect of pension insurance may apply for supplementing the contribution.
 4. At an application of the insured referred to in clause 3, the Institute shall supplement the pension contribution amount to the amount of contribution due plus the relevant indexation.
 5. If the Institute determines that the pension insurance contribution has not been paid for 6 months, or has not been paid in full, it should immediately inform the insured of the fact.
 6. Within 2 months of the notification referred to in clause 5 the insured should apply for a supplementation of the contribution.
 7. Upon an application of the insured, referred to in clause 6, the Institute shall supplement the pension contribution amount in the insured's account to the amount of contributions due from the insured, plus the relevant indexation.
 8. The Institute may refuse to supplement the contribution amount referred to in clauses 4 and 7 if the insured collaborates with the contribution payer to avoid the duty to pay contributions.
 9. If the pension insurance contributions were not paid due to a cancellation of debt referred to in Article 28 (in recognition of Article 30) or prescription, referred to in Article 24, the Institute shall supplement the account of the insured *ex officio*, if the account of the insured had not been supplemented earlier.
 10. Regulations of clauses 3–9 shall not apply to insured who pay pension insurance contributions fully from their own funds.

Article 41.

1. A contribution payer shall submit to the Institute name-specific monthly reports after the end of each and every calendar month within the deadlines set for contribution settlements.
2. If the social insurance obligation has expired during the course of a given calendar year, the contribution payer shall provide the Institute with the report as provided for in clause 1, for the insurance period in a given month, within 7 days as of the fact arising.
3. A name specific monthly report shall include information on the contribution payer as determined by Article 43, clause 4 and 5, the month and year to which the report pertains and:
 - 1) the insured's identification numbers (PESEL, NIP or another number referred to in Article 33 clause 2,
 - 2) name and surname,
 - 3) work time status,
 - 4) a schedule of social insurance contributions due presented by pension, disability pension, sick leave, and workman's compensation insurance, including data on:
 - a) the insurance title,
 - b) the contribution rate basis,
 - c) the amount of the contribution broken down by amount due from the insured and the amount due from the contribution payer,
 - d) the amount by which the basis of pension, disability pension, sick leave and worker's compensation insurance contribution rates were decreased in respect of the Act of August 22nd 1997 on employee pension programs (*Journal of Law* No. 139, item 932, and from 1998, No. 98, item 610),
 - 5) the basis and amount of health insurance contribution rates,
 - 6) information necessary for working periods to be determined periods of mining work,
 - 7) types and periods of discontinuities in paying social insurance contributions,
 - 8) information on benefits paid and on compensation for periods of inability to perform work on the basis of the Labour Code, as well as on benefits financed from the State budget,
 - 9) declaration of the contribution payer that data included in the report are consistent with the actual situation, confirmed by the signature of the contribution payer or an authorised person.
4. A name-specific monthly report shall also include a schedule of remuneration components paid in the period necessary to determine the amount of benefits and the date of preparation of the monthly report, a signature of the contribution payer or a person authorised by the contribution payer.

5. Name-specific monthly reports may include data on filing by the insured of a notification on exceeding the annual basis of pension and disability pension insurance contributions referred to in Article 19, clause 5.
6. A contribution payer shall be obliged to submit a name-specific monthly adjustment report in the form of a new document including all data defined in clauses 3-5, taking into account changes when after the name-specific monthly report has been submitted:
 - 1) it should prove necessary to adjust data included in the name-specific monthly report with relation to issuing the decision referred to in Article 38,
 - 2) circumstances referred to in Article 42 should occur,
 - 3) the Institute should determine, by way of an inspection, irregularities in payment of contributions.
7. The contribution payer shall submit the name-specific monthly adjustment report in cases referred to in clause 6, items 1 and 2, within 7 days of the date of occurrence of those circumstances, or the date of receipt of the decision, respectively; in circumstances described in clauses 1-6, the contribution payer shall submit the report within 30 days of receipt of the inspection findings.
8. Information included in the reports referred to in clauses 1-6 shall be forwarded by the contribution payer to the insured in writing, for them to be verified.
9. In recognition of clause 10, regulations of clauses 1-8 shall apply to health insurance contributions respectively.
10. If health insurance contributions are collected from pensions and disability pensions, the contribution payer shall inform the pensioner each month of the collected contribution on a document confirming the amount of transferred pension or disability pension.
11. The insured shall provide the contribution payer, in writing or by way of an entry in the official records, with an application to amend any information contained in the name-specific monthly report within 3 months of the date of receiving the information described in clause 3, should the information in question - according to the insured - not be consistent with the actual state of affairs. The Institute shall be informed by the insured of any such occurrence. Should the contribution payer not accept the complaint within one month of the date of filing thereof, on an application of the insured, the Institute shall issue a respective decision following clarification proceedings.
12. Should the insured not question any information contained in the name-specific monthly report within a term as specified in clause 11, such information shall be deemed consistent with the actual situation unless the information pertaining to the period encompassed by the report should be questioned by the Institute upon making a decision.
13. Should the Institute question and subsequently alter any information submitted by the contribution payer, the Institute shall be obliged to inform both the insured and the contribution payer of the occurrence. Should neither the insured nor the contribution payer

file an application to alter the position assumed by the Institute within the term as specified in clause 11 hereto, such information as submitted by the Institute shall be deemed correct. Should such an application be filed, the Institute shall issue a respective decision following clarification proceedings.

14. Provisions contained in clauses 11-13 hereto shall apply to reports described in clause 6.

Article 42.

The contribution payer shall notify the Institute of any amendments to data contained in the notification as specified in Article 36, and in the reports specified in Article 41, within a term of 7 days as of the date of such amendments being made.

Article 43.

1. Contribution payers shall be obliged to file a contribution payer notification with the Institute within a term of 7 days as of:
 - 1) the date of employing the first employee or of the rise of a legal relationship which justifies inclusion of the first person in the social insurance system,
 - 2) the date of the rise of a pension and disability pension insurance liability on the part of the insured who are exclusively obliged to pay contributions for their own insurance or contributions for the insurance of individuals who co-operate with them.
2. Individuals referred to in Article 6, clause 1, item 10 and individuals liable to voluntary pension and disability pension insurance, with the exclusion of individuals mentioned in Article 6, clause 1, item 5, who are exclusively obliged to pay their own social insurance contributions shall file contribution payer notification together with a notification of social insurance participation.
3. Contribution payers shall file notifications of insurance participation, using a model form, with the Institute's organisational entity.
4. A contribution payer notification (for a physical entity) shall include specifically the following data: NIP, REGON, PESEL or another number which enables correct identification, the surname, first and second names, date and place of birth, citizenship, type and number of permit on the basis of which non-agricultural business activities are engaged into, name of the authority which issued the permit and the date of its issuance, date of commencement of engaging in non-agricultural business activities, short firm name under which the business is run, date of commencement of social insurance contribution liability, listing of bank accounts, status of a special company employing the disabled or a professional activity company, address of head office, address of residence if it is different from the address of the head office, correspondence address, address at which the business is run.
5. A contribution payer notification (for a legal entity or an organisational entity with no personality at law) shall include specifically the following data: NIP, REGON, short name of

payer, name conforming to the legal deed establishing the payer, the name of the establishing authority, the obligation to enter the payer into a register, name of the registration organ, date of commencement of operations causing the obligation to pay social insurance contributions, date as at which the obligation to pay social insurance contributions arose, a listing of bank accounts, status of a special company employing the disabled or a professional activity company, address of head office, correspondence address, address at which the business is run.

Article 44.

The contribution payer shall be obliged to notify the Institute of any changes to the data as provided for in the notification filed in compliance with the provisions of Article 43 within a term of 14 days as of the date of the respective occurrence.

Article 45.

The following shall be recorded in the contribution payer's account:

- 1) identification data, NIP, REGON and, optionally, also PESEL numbers, names and numbers of bank accounts, information data on the contribution payer, including the specific legal status as stated in the central register for identification of business entities (REGON), the number according to European Classification of Operations (EKD), the number according to the Polish Classification of Operations (PKD) and all other data necessary for servicing the account, specifically for the purpose of settling contribution dues and holding execution proceedings, including information on partners in partnerships, general partnerships and limited partnerships, within the scope registered by the Central Register of Taxpayers,
- 2) settlements of contribution dues, benefits paid by the contribution payer as well as survivorship pensions and nursing benefits included in contributions and other contributions collected by the Institute
- 3) data necessary for the Institute to execute tasks assigned by different regulations.

Article 46.

1. The contribution payer shall be obliged, in accordance with the provisions of the act, to calculate contributions due for each and every calendar month, subtract them from the income of the insured, settle and transfer them to an indicated account at the Institute.
2. The settlement and clearance of the contributions as specified in clause 1 and of the benefits paid by the contribution payer in the same month as well as survivorship pensions and nursing benefits included in the settlement of contributions shall take place on the basis of a model settlement declaration form. Any benefits paid out by the contribution payer without justification shall not be included in the settlement declaration.
3. A settlement declaration and name-specific monthly reports shall be transferred by the contribution payer directly to the organisational entity indicated by the Institute.

4. A settlement declaration shall include:

- 1) identification data of the contribution payer, and specifically NIP, REGON, PESEL or other identification numbers described in Article 33, clause 3, short name of the firm, and in case of contribution payers who are physical entities –the name and surname,
- 2) information on the number of individuals insured,
- 3) a listing of contributions in respect of specific types of social insurance, broken down by contributions financed by the insured and by the payer, as well as by the State budget and by the State Fund for the Rehabilitation of the Handicapped (PFRON),
- 4) amounts of benefits paid out and benefits financed by the State budget, charged to social insurance contributions,
- 5) remuneration amounts to which the payer is entitled as per Article 3, clause 2 of the Act and Article 25a of the Act of February 26th 1997 on universal health insurance (*Journal of Law* No. 75, item 468, and from 1998, No.117, item 756),
- 6) a listing of contributions due in respect of:
 - a) health insurance
 - b) Labour Fund and Guaranteed Employees Benefit Fund,
- 7) an aggregate and summary schedule of contributions due, health insurance contributions, and amounts to be paid,
- 8) for individuals who pay insurance contributions from their own funds – the insurance title, basis for calculation and possible reductions resulting from Article 19, clause 1,
- 9) a declaration of the contribution payer that data included in the declaration comply with the actual situation, confirmed by a signature of the contribution payer or of an individual authorised by the contribution payer.

Article 47.

1. The contribution payer shall pay the contribution and submit the relevant settlement declaration form and name-specific monthly reports in the same period for a given month no later than:
 - 1) by the 12th day of the following month – in respect of physical entities paying the contributions entirely on their own behalf,
 - 2) by the 8th day of the following month – for budgetary entities, non-budgetary entities as per Articles 14-17 of the Act of January 5th 1991 – The Budget Law (*Journal of Law* of 1993, No. 72, item 344, of 1994, No. 76, item 344, No. 121, item 591, and No.

133, item 685, of 1995, No. 78, item 390, No. 124, item 601, and No. 132, item 640, of 1996, No. 89, item 402, No. 106, item 496, No. 132, item 621, and No. 139, item 647,, of 1997, No. 54, item 348, No. 79, item 484, No. 121, item 770, No. 123, item 775 and 778, No. 133, item 883, No. 137, item 926, No. 141, item 943, and No. 158, item 1042),

- 3) by the 15th day of the following month – for the rest of the payers.
2. The contribution payer who pays contributions entirely on his own behalf shall only submit the settlement declaration.
3. A contribution payer shall be obliged to submit an amended settlement declaration in which amendment of data takes the form of a new document including new, amended data in each instance referred to in Article 41, clause 6, including an amended monthly report. If the amendment relates to data presented exclusively in the settlement declaration, the amended settlement declaration shall be submitted within 7 days of the determination of an error. No reports referred to in Article 41, clause 6, shall be submitted in such a case.
4. Contributions or payments shall be made to bank accounts indicated by the Institute, in separate payments, broken down by:
 - 1) social security
 - 2) health insurance,
 - 3) Labour Fund and Guaranteed Employee Benefit Fund,
 - 4) State Fund for the Rehabilitation of the Handicapped using transfer orders described in Article 49 clause 3.
5. Information included in transfer orders shall be transferred through the interbank electronic system as a payment order for the Institute. The order should specifically include the date of charging the payer's bank account if the payment is made in the form of a transfer order, or the date of payment if the payment is made in cash.
6. A transfer order must specifically include information on the payer's NIP tax identification number and his PESEL or REGON number, or another identification number referred to in Article 33 clause 3, as well as on the payment title and the period for which the said is made.
7. The inability to identify a payment shall not be deemed to be the fault of the Institute.
8. Institutions which accept the social insurance contribution payments shall be obliged to enable their immediate transfer through the interbank electronic settlement system.
9. The contributions shall be transferred by the Institute to an open pension fund immediately, no later than within 2 working days of the receipt of the contributions paid in using a transfer order defined in Article 49, clause 3, monthly reports and declarations, in recognition of clause 11 and Article 118.

10. If the Institute is unable to transfer a contribution to an open pension fund due to errors in data, the contributions shall be accumulated in a separate bank account until they are identified.
11. A contribution payer shall be relieved of the duty of filing a settlement declaration form and name-specific monthly reports for the following month, if no changes occurred with relation to the previous month, whereas all the payments were timely and in unchanged amounts, in recognition of clause 12. The relief principle shall not apply to the December declaration and reports.
12. A contribution payer shall be obliged to transfer to the insured the information referred to in Article 41, clause 8, for each calendar month in which the payer was exempt from the duty of transferring the name-specific monthly report to the Institute.
13. If the payer referred to in clause 11 does not settle and clear contributions for a given month, the Institute shall write the appropriate premiums (contributions) *ex officio* in the amount resulting from the last declaration filed and shall inform the payer of this fact. The provisions of Article 48, clause 2 shall apply respectively.
14. The regulations of this article shall apply, respectively, to Labour Fund, Guaranteed Employee Benefit Fund and health insurance contributions, as well as payments to the State Rehabilitation Fund for the Handicapped, in recognition of clause 15.
15. The settlement declaration and contributions to the State Rehabilitation Fund for the Handicapped shall be transferred and paid in by the 20th day of the following month.

Article 48.

1. Should the contribution payer fail to file the settlement declaration in a timely manner while not having been relieved of such duty, the Institute shall impose the contribution amount *ex officio*, in an amount resulting from the last filed settlement declaration, not recognising any benefits, survivorship pensions or nursing benefits paid formerly.
2. Should the contribution payer file a settlement declaration form following the imposition of contributions *ex officio*, the Institute shall amend the contribution rate to the amount as shown in the settlement declaration form, in recognition of any benefits, survivorship pensions or nursing benefits as shown therein.

Article 49.

1. The Council of Ministers shall, by virtue of a decree, define:
 - 1) the order of accepting payments for FUS and other liabilities which the Institute is obliged to collect, if the payer pays and transfers them in a manner not conforming to the regulations of the act,

- 2) the detailed rules and procedures binding for the settlement of contribution and benefits, survivorship pensions, and nursing benefits paid, as well as the order of accepting payments to particular funds, prioritising the receivables of the pension fund.
2. The minister responsible for social insurance issues shall determine, by virtue of a decree, the following:
 - 1) model notification of social insurance participation form,
 - 2) model name-specific monthly reports and name-specific adjustment monthly reports
 - 3) model contribution payer notifications,
 - 4) model settlement and adjustment settlement declarations,
 - 5) other documents necessary to keep accounts of contribution payers and the insured.
3. The minister responsible for public finance in agreement with the minister responsible for social insurance issues shall determine, after consultation with the President of the Polish National Bank, by virtue of a decree, model forms for bank transfer orders to be used by contribution payers who order the transfer of social insurance contribution payments in writing.
4. Regulations of clauses 2 and 3 shall apply to other receivables collected by the Institute, respectively.

Article 50.

1. Until March 31st of each calendar year the Institute shall be obliged to submit to the insured information on data accumulated in the insured individual's account, and specifically on the level of recorded indexed amounts as at December 31st of the previous calendar year, and the level of the hypothetical pension which would be received by the insured upon attaining pension age as defined by the Act on pensions and disability pensions from the Social Insurance Fund.
2. To assess the level of the hypothetical pension referred to in clause 1, the initial capital and indexed contributions recorded in the insured's account as at December 31st of the previous year shall be divided by the pensioners' average life expectancy determined by regulations on pensions and disability pensions from the Social Insurance Fund, as binding for the insured, as at December 31st of the previous year. The amount shall also be divided by the average life expectancy for the age exceeding the pension age by one, two, three and four years. If the insured has exceeded the pension age, the level of hypothetical pension shall be calculated in respect of his actual age and for the following five years.
3. Any data collected in the account of the insured, referred to in Article 40, and in the account of the contribution payer, referred to in Article 45, may be rendered available to courts, prosecutors, tax inspection authorities and Pension Fund Supervision Office, in recognition of relevant provisions relating to protection of personal data.

4. The data referred to in clause 3 shall also be rendered available on application filed by individuals and contribution payers to whom such data pertain.

Chapter 5.

The Social Insurance Fund

Article 51.

1. The Social Insurance Fund (FUS) shall be deemed to be a state-owned target fund established for the purpose of implementing tasks from within the social insurance area.
2. FUS shall be administered by the Institute.

Article 52.

1. FUS income shall be derived from:
 - 1) social insurance contributions not subject to transfer to the benefit of open pension funds,
 - 2) subsidies to financing contributions of individuals referred to in Article 6, clause 1, item 19,
 - 3) funds provided by the State budget as well as by other institutions transferred for the purpose of benefits paid by the Institute on order, with the exception of payments made by foreign institutions,
 - 4) interest on FUS bank account funds,
 - 5) interest on any late FUS receivables,
 - 6) reimbursement of any unrightfully collected benefits, interest included,
 - 7) the additional fee referred to in Article 24, clause 1, and the prolongation fee,
 - 8) subsidies from the State budget,
 - 9) FRD funds referred to in Article 59.
2. The social insurance contribution shall be included in FUS income in the month following the month in which the contribution is due.
3. FUS shall make no provisions referred to in the Accounting Act in the profit and loss account.

Article 53.

2. Within limits defined in the budget law, FUS shall be entitled to receive loans or subsidies from the State budget.
3. The subsidies referred to in item 1 may be appropriated solely to providing supplementary funds for the payment of benefits guaranteed by the state, should funds transferred to the accounts as stipulated in Article 55 items 1-4, and funds collected on reserve funds not provide full and timely payment of benefits financed from FUS income.
4. At the consent of the minister responsible for public finance, FUS may take credit and loan facilities.

Article 54.

The following shall be financed from funds accumulated in FUS:

- 1) benefit payments from pension, disability pension, sick leave, and workman's compensation insurance,
- 2) expenditure for disability pension prevention,
- 3) repayment of loans and bank loans, together with any interest, taken for the purpose of payment of benefits from FUS,
- 4) penalty interest for late benefit payment,
- 5) contribution payer receivables referred to in Article 3, clause 2,
- 6) expenses related to the execution of tasks referred to in Article 52, clause 1 item 3,
- 7) pension and disability pension contributions of individuals referred to in Article 6, clause 1, item 19,
- 8) write-offs constituting income of the Institute, as described in Article 76, clause 1, item 1.

Article 55.

The following funds can be distinguished within FUS:

- 1) pension fund for financing pension benefit payments,
- 2) disability pension fund for financing disability benefit payments, training allowances, survivorship pension, additional survivorship pension benefits for full orphans, additional nursing benefits, funeral benefits, and benefits to be paid out by the Institute, financed from the State budget, as well as costs of disability pension prevention,
- 3) sick leave fund for financing benefits defined in separate regulations,
- 4) workman's compensation fund for financing benefits defined in separate regulations,
- 5) reserve funds:
 - a) for disability pension and sick leave insurance,

- b) for workman's compensation insurance.

Article 56.

1. The reserve funds shall be set up as follows:
 - 1) for disability pension and sick leave insurance, of amounts remaining as of December 31st of each and every year in the accounts of funds as stipulated in Article 55, items 2-3, reduced by amounts necessary to provide the payment of benefits due for the first month of the subsequent year,
 - 2) for workman's compensation insurance, of funds remaining as of December 31st of each and every year in the accounts of workman's compensation fund, reduced by amounts necessary to provide the payment of benefits due for the first month of the subsequent year,
 - 3) from interest on any invested monies from the reserve fund.
2. The reserve fund resources may only be used for the purpose of supplementing any deficit of the disability pension, sick leave, or workman's compensation funds.
8. The reserve fund resources can be invested exclusively as bank deposits and securities issued by the State Treasury or by the National Bank of Poland, unless the Council of Ministers allows for a different investment, at an application filed by the President of the Institute.
9. The minister responsible for social insurance issues, in agreement with the minister responsible for public finance, shall determine, by virtue of a decree, detailed rules of financial management and rules for investing FUS funds.

Article 57.

The budget law shall define, on an annual basis, the amount of disability pension prevention expenditure.

Chapter 6

Demographic Reserve Fund.

Article 58.

1. The Demographic Reserve Fund shall be established for the purpose of pension insurance, from funds maintained in the pension fund account as at December 31st of each and every year, net of amounts necessary for paying out benefits relating to the first month of the following year.
2. FRD shall also receive additional funding from:
 - 1) the funds mentioned in Article 22, clause 4,

- 2) funds obtained in the privatisation of State Treasury property, on the basis of separate regulations,
- 3) income on FRD funds invested pursuant to Article 63, clause 2, and Article 65, clause 2 and 4,
- 4) interest on deposit accounts maintained by the Institute which do not constitute income of the FUS or the Institute,
- 5) from other sources.

Article 59.

1. The FRD funds may be used only to supplement a deficit of pension fund due to demographic reasons described in Article 55, item 1, in recognition of Article 112, clause 1.
2. The Council of Ministers at the request of the Institute shall decide on the use of FRD funds, by virtue of a decree.

Article 60.

1. The FRD shall have personality at law.
2. The minister responsible for social insurance issues shall grant the statute of the FRD, by virtue of a decree.
3. The Institute shall constitute a body of the FRD.
4. The Institute shall administer FRD funds, in recognition of Article 68.
5. The Institute shall represent the FRD in the manner defined for the representation of the Institute in its statute.
6. The seat of the FRD shall be the seat of the Institute.
7. The name FRD shall be legally protected.

Article 61.

1. The FRD's finances shall be managed based on a multi-year rolling forecast of the income and expenses of the pension fund.
2. Assumptions with relation to the demographic and economic position of the country, and specifically assumptions as to fertility, mortality, economic growth, the remuneration level, migration, inflation, unemployment rate, employment structure in a break-down by

professional groups and groups which are not employed; social insurance contribution and benefit indexation ratios shall form the basis of the forecast mentioned in clause 1 hereto.

3. The forecast may only be prepared by a licensed actuary appointed and acting on the basis of insurance regulations. The actuary shall be chosen by the Institute's Board of Directors via a competition.
4. The forecast referred to in items 1 and 3 shall be presented to the Council of Ministers each and every year by March 31st.
5. The forecast shall be published annually in the Information Bulletin. The scope of the publication shall be determined by the minister responsible for social insurance issues by virtue of a decree.

Article 62.

The FRD may not take any loans or bank loans. The State budget shall guarantee payment of pension benefits from FUS.

Article 63.

1. The FRD invests its funds to guarantee maximum protection and profitability.
2. Until December 31st 2001, the FRD shall invest its funds in Treasury bills and bonds and in other securities issued by the State Treasury.

Article 64.

1. After January 1st 2002 an external authorised entity may be entrusted with the management of FRD funds by the Institute, on principles determined by the Act and a management contract.
2. The FRD funds shall be managed by an entity selected via a two-stage tender or by negotiations held at an arm's length. Regulations on government contracts shall be applied accordingly.

Article 65.

1. No more than 15% of FRD funds may be entrusted to be managed by a single entity or a group of related entities as set out by regulations on the organisation and financing of open pension funds.

2. In recognition of clauses 3 and 4, a managing entity shall be responsible for investing FRD funds exclusively domestically, in:
 - 1) Treasury bills and bonds and other securities issued by the State treasury,
 - 2) securities issued by communes, commune federations, and the city of Warsaw,
 - 3) debt securities guaranteed by the State treasury,
 - 4) shares admitted for public trading,
 - 5) fully secured bonds admitted for public trading,
 - 6) fully secured bonds issued by companies whose shares have been admitted for public trading.
3. The minister responsible for social insurance issues in agreement with the minister responsible for public finance shall determine, by virtue of a decree, acceptable proportions for each kind of investment, and may also determine other acceptable forms of investing FRD funds, taking into account the investment risk and the aim of establishing the FRD.
4. FRD funds may also be directly invested in participation units of investment funds selected through procedures described in Article 64, if their investment policy as defined in the statute and actually realised does not contradict the requirements as specified in clauses 2 - 3.

Chapter 7.

Social Insurance Institute

Article 66.

1. The Institute is a State organisational entity with legal personality. The Institute is domiciled in the city of Warsaw.
2. The minister responsible for social insurance issues shall execute supervisory functions over the Institute's operations, in accordance with binding regulations.
3. The Institute shall operate on the basis of this Act and other acts regulating particular aspects of its operations.
4. Within the scope of operations which the Institute engages in, as described in Articles 68-71, the Institute shall be allowed to use the legal measures available to State administration bodies.

Article 67.

1. The Institute shall comprise the following:
 - 1) the head office
 - 2) local organisational entities.
2. The head office of the Institute shall also include the Foreign Annuities Office established to realise international social insurance contracts.

Article 68.

1. The scope of operations of the Institute shall comprise, *inter alia*:
 - 1) execution of social insurance regulations, specifically:
 - a) identification and determination of social insurance obligations,
 - b) determination of rights to social insurance benefits and the payment of those benefits, unless these obligations are executed, on the basis of separate regulations, by the contribution payers,
 - c) calculation of the contribution rate and collection of social insurance, health insurance, Labour Fund, Guaranteed Employee Benefit Fund contributions, and payments to the State Fund for the Rehabilitation of the Handicapped,
 - d) conducting settlements with contribution payers with relation to contributions due and benefits paid out, financed from social insurance funds or from other sources,
 - e) maintaining individual accounts of the insured and accounts of contribution payers,
 - f) determining total or partial inability to perform work for the purpose of ascertaining rights to social insurance benefits,
 - 2) realisation of international contracts and treaties with relation to social insurance,
 - 3) administration of social insurance funds, and the Alimony Fund funds,
 - 4) preparation of actuarial analyses and forecasts with relation to social insurance,
 - 5) control over decisions determining temporary inability to perform work,
 - 6) control over the performance of social insurance duties and other tasks the Institute was instructed to perform by contribution payers and the insured,
 - 7) publication of the Information Bulletin,
 - 8) dissemination of information on social insurance.

Article 69.

1. Disability pension prevention, encompassing the following duties, also lies within the scope of the Institute's operations:
 - 1) physical rehabilitation of individuals threatened by total or partial inability to perform work or individuals receiving temporary disability benefits,
 - 2) examination and analyses of reasons for the inability to perform work,
 - 3) other preventive measures.
2. As part of the preventive activities the Institute may:
 - 1) direct individuals referred to in clause 1, item 1, to rehabilitation centres
 - 2) administer its own rehabilitation centres,
 - 3) order rehabilitation benefits and services in other centres,
 - 4) financially support the development of a medical and technical network of rehabilitation centres mentioned in item 3,
 - 5) conduct its own research and analyses of reasons for inability to work as well as order such research to be conducted by other entities,
 - 6) finance other activities aimed at disability pension prevention.
3. The orders referred to in clause 2 item 3 shall not be subject to regulations pertaining to government orders.
4. The Council of Ministers shall determine, by virtue of a decree, detailed rules and procedures for:
 - 1) directing individuals for physical rehabilitation,
 - 2) financing the medical and technical network of rehabilitation centres,
 - 3) ordering rehabilitation benefits and services.

Article 70.

1. The Institute shall prepare a projection of the financial standing of each fund mentioned in Article 55, items 1-5 for the subsequent financial year. The calculation shall be a schedule of expected liabilities and proceeds for a given year from contributions and other sources.
2. The Institute shall prepare a simplified technical insurance profit and loss account for 5 subsequent financial years. The provisions of Article 61, clause 2 shall be applied respectively.

Article 71.

1. The Institute shall also perform tasks entrusted to it on the basis of other regulations.

2. The Institute may perform other commissioned insurance or social insurance tasks.
3. Tasks referred to in clauses 1 and 2 shall be performed by the Institute against remuneration, on the basis of relevant regulations or agreements concluded with the commissioning entity.

Article 72.

The following shall comprise bodies of the Institute:

- 1) the President of the Institute
- 2) the Board of Directors, whose chairman, *ex officio*, shall be the President of the Institute,
- 3) the Institute's supervisory board.

Article 73.

1. The Institute's activities shall be managed by the President of the Institute who shall represent the Institute.
2. The President of the Institute shall be appointed and dismissed by the Prime Minister at a motion from the minister responsible for social issues after obtaining an opinion of the Institute's supervisory board. The Prime Minister shall also determine the level of the Institute President's remuneration.
3. The President of the Institute shall be specifically engaged in the following:
 - 1) managing the Board of Directors' work,
 - 2) co-ordination of the Institute's co-operation with government administration offices, specifically with the Pension Fund Supervisory Office, State Insurance Supervisory Office and other bodies engaged in pension issues,
 - 3) establishment, transformation and dissolution of local organisational entities and determination of their domicile, and their territorial and functional competencies,
 - 4) appointment and removal of managers of organisational entities of the Institute, their deputies and chief accountants,
 - 5) supervision over doctors' decisions for the purpose of social insurance,
 - 6) granting exceptional benefits,
 - 7) performing the functions of an employer as defined by the Labour Code regulations,
 - 8) approval of draft documents relating to administration of FRD funds.

Article 74.

1. The Board of Directors of the Institute shall comprise the President of the Institute and 2 to 4 individuals, appointed and dismissed by the supervisory board of the Institute on an application by the President of the Institute.
2. The Board of Directors shall manage the Institute's operations outside the scope reserved for the President of the Institute.
3. The Institute's Board of Directors shall engage primarily in:
 - 1) current management of the funds administered by the Institute,
 - 2) preparation of draft documents relating to the administration of FRD funds,
 - 3) financial management of the Institute,
 - 4) preparation of the annual draft financial plans of the FUS, FRD, and submitting them according to procedures defined in regulations pertaining to the preparation of the draft State budget, after obtaining an opinion of two independent actuaries not employed by the Institute and subsequently by the Institute's supervisory board, to the minister responsible for social insurance issues,
 - 5) preparation of annual financial statements of the FUS and FRD and submitting them, having obtained an opinion as described in clause 4, to the minister responsible for social insurance issues,
 - 6) presenting the supervisory board of the Institute with information on the activities of the Institute, in the form, scope and within the deadlines stipulated by the supervisory board,
 - 7) presenting the supervisory board of the Institute with applications for determining and the amendment of the remuneration system and granting bonuses to the employees of the Institute.
 - 8) preparation of the financial plan of the Institute and reports on its execution as well as submitting them – after they have been approved by the supervisory board of the Institute – to the minister responsible for social insurance issues,
 - 9) preparation of annual Directors' reports and submitting them – after they have been approved by the supervisory board of the Institute – to the minister responsible for social insurance issues.
4. The Board of Directors' operating procedures shall be determined by by-laws passed by the supervisory board of the Institute.

5. The minister responsible for social insurance issues, at an application by the President of the Institute, after obtaining an opinion of the Institute's supervisory board, shall, by virtue of a decree, grant a statute to the Institute, which shall describe in particular:
 - 1) the organisational structure and the territorial and functional scope of operations of local organisational entities of the Institute,
 - 2) operating procedures and competencies of the Institute's bodies.
6. The drafts and reports mentioned in clause 3, items 4, 5, 9, and 10, shall be forwarded by the minister responsible for social insurance issues to be published in the official journal of the Republic of Poland *Monitor Polski* in the form of an announcement, and in two nation-wide daily papers.

Article 75.

1. The Institute's supervisory board shall be appointed by the Prime Minister for a five-year term of office and shall be made up of 15 persons, of which:
 - 1) 5 members including the chairman of the board, shall be appointed at an application by the minister responsible for social insurance issues filed in consultation with the minister responsible for public finance,
 - 2) 5 members shall be appointed at an application by of nation-wide employers' organisations,
 - 3) 5 members shall be appointed at an application by the nation-wide inter-union organisation and a nation-wide labour union representative for the employees of the majority of employers and the nation-wide pensioners' organisation.
2. The supervisory board shall engage primarily in:
 - 1) setting-up by-laws of the Board of Directors of the Institute,
 - 2) determining the remuneration of the Institute's management, with the exclusion of the remuneration of the President of the Institute,
 - 3) periodical evaluation - in accordance with self-imposed procedures - of the Institute's Board of Directors,
 - 4) approval of the Institute's annual draft financial plan and report on its realisation, as well as the annual Directors' report,
 - 5) expressing opinions on draft financial plans of the FUS and FRD, and reports on their realisation,
 - 6) expressing opinions on drafts of legal regulations pertaining to social insurance and presenting relevant initiatives directed to the minister responsible for social insurance issues,

- 7) expressing opinions on rules for remunerating and granting bonuses to the Institute's employees,
 - 8) selection of a statutory auditor to audit the Institute's annual financial statements,
 - 9) expressing opinions on the candidate for the President of the Institute,
 - 10) expressing opinions on the draft statute of the Institute.
3. The Prime Minister shall determine, by virtue of a decree:
- 1) the procedure for presenting candidates for members of the Institute's supervisory board,
 - 2) the by-laws and rules for remunerating the Institute's supervisory board.

Article 76.

1. The Institute's income shall be derived from:
 - 1) write-offs from funds referred to in Article 55; the amount of the write-off is determined annually in the Budget Law on the basis of the FUS financial plan, after an opinion has been obtained from an independent auditor, on the authorisation of the minister responsible for social insurance issues in agreement with the minister responsible for budget issues,
 - 2) receivables pertaining to the costs of collection and execution of contribution dues to:
 - a) medical care societies,
 - b) Guaranteed Employee Benefit Fund,
 - c) the State Fund for the Rehabilitation of the Handicapped,
 - d) the Labour Fund,in amounts stipulated by other regulations,
 - 3) receivables pertaining to expenses incurred in collection and execution of open pension fund contributions in an amount not exceeding 0.8% of the written premium (contribution) for that type of insurance, and payments to the State Fund for the Rehabilitation of the Handicapped in an amount not exceeding 0.6% of the payments due, on the stipulation that the amounts due and the payments shall be determined each year by the Budget Law,
 - 4) income from other tasks commissioned to the Institute,
 - 5) subsidies from the State budget,

- 6) receivables related to other current activity costs incurred by the Institute pertaining to:
 - a) operations of the Alimony Fund,
 - b) servicing benefits paid out from FUS which are financed from the State budget.
 - 7) other income.
2. Receivables with relation to costs incurred, mentioned in clause 1, item 6, shall be refunded from the Alimony Fund and the State budget in proportion to the number of benefits paid out from these sources.
3. The Institute's operating costs with relation to the verification of errors made in the transfer of contributions to open pension funds shall be covered by entities responsible for the correctness of information transferred in the amount determined on a bulk-sum basis in the fee schedule. Fee schedules shall be determined, following an application by the Institute's supervisory board, by virtue of a decree of the minister responsible for social insurance issues.
4. Costs pertaining to teletransmission, bank services, purchase of licences, and amortisation and depreciation, shall be determined on the basis of current prices and needs.

Article 77.

1. The Institute shall administer its own assets and engage in independent financial operations within the scope of funds available.
2. The following shall be covered from the income mentioned in Article 76:
 - 1) expenses with regard to salaries and contributions calculated from the basis of the salaries,
 - 2) expenses for the purchase of goods and services,
 - 3) expenses with regard to current operations of the supervisory board of the Institute,
 - 4) other current expenses of the Institute,
 - 5) investment expenditure,
 - 6) expenses with regard to training and dissemination of information within the scope of social insurance,
 - 7) costs of servicing benefits financed from the FUS and realised by the Individual Farmers' Social Insurance Fund,

- 8) costs of benefit payments including those realised on the basis of international treaties.
3. The Institute shall have at its disposal funds in foreign currencies from payments made by foreign organisations and transferred to Poland to finance the payments of foreign benefits to authorised individuals residing in Poland.

Article 78.

The Institute's financial statements shall be audited and published in compliance with regulations described in the Accounting Act.

Article 79.

Individual data obtained by the Institute from the insured and the contribution payers shall be deemed to be the Institute's professional secret. The following individuals will be obliged to keep the information confidential:

- 1) employees of the Institute,
- 2) members of the supervisory board of the Institute.

Chapter 8.

Duties of the insured and appeal procedures

Article 80.

1. The insured, in order to establish their right to benefits and to their amount, shall be obliged to:
 - 1) present actual information which has an impact on the rights to or amounts of benefits,
 - 2) inform of all changes which may have an impact on the benefit,
 - 3) present evidence on demand,
 - 4) personal appearance if the circumstances so warrant,
 - 5) undergo medical examination, treatment or rehabilitation if it is expected that the treatment or rehabilitation will enable the individual to resume work or will not cause the ability to work to be impaired.

Article 81.

The regulation of Article 80 shall not apply if:

- 1) The Institute has the possibility of determining circumstances necessary to grant and pay out benefits at a lower cost than the insured.
- 2) Examination of the insured could lead to a detriment of health or pose a threat to the insured's life.

Article 82.

If the insured does not fulfil the duty to co-operate thus impeding the explanation of all circumstances of the case, the Institute may delay payment of a benefit or suspend investigations until co-operation is resumed.

Article 83.

1. The Institute shall issue decisions in situations stipulated by the law, with relation to particular issues pertaining, in particular, to the following:
 - 1) filing social insurance notification,
 - 2) insurance history,
 - 3) determining the amount and collection of social insurance contribution dues, as well as write-off of contribution receivables,
 - 4) determination of rights to social insurance benefits,
 - 5) the level of benefits from social insurance.
2. The Institute's decision may be appealed in the relevant court of justice within a period and according to rules set out in the administrative procedures code.
3. The appeal shall also be allowed should the Institute not make a decision within two months from the date an application for a benefit or another claim is lodged.
4. An appeal to a court cannot be lodged against a decision granting an exceptional benefit or against a refusal decision.
5. An appeal shall be lodged in writing to an organisational entity of the Institute which made the decision, or by way of an entry in the official records prepared by the entity.
6. If the Institute deems an appeal to be justified, within a period of 14 days of the appeal being lodged, it amends or reverses the decision. In that case the appeal shall have no further course.
7. Should the appeal not be complied with in full, the Institute shall submit the case to court immediately, however no later than within 14 days of the appeal being lodged, together with a justification.

Chapter 9.
Return of Unrightfully Collected Benefits
and Interest on Delayed Benefit Payments

Article 84.

1. Any individual who has unrightfully collected any social insurance benefit shall be obliged to return it, including interest in the amount and on the basis of principles determined by the civil law regulations.
2. The following shall be deemed to be amounts of unrightfully collected benefits:
 - 1) benefits paid despite circumstances arising causing an expiry of benefit eligibility rights, or the suspension of the payment thereof in part or in whole, should the person collecting the said benefit have been duly informed of a lack of eligibility rights,
 - 2) any benefits granted or paid on the basis of false statements or forged documents, or in other cases of the individual collecting benefits having purposefully misinformed the authority responsible for benefit payment.
3. The Institute shall not be entitled to demand any return of amounts of unrightfully collected social insurance benefits for a period exceeding 12 months if the individual collecting benefits had informed the authority responsible for benefit payment about any circumstances causing an expiry of benefit eligibility rights, or the suspension of payment thereof, whereas the benefit payment had continued; in any other cases, that period shall not exceed 3 previous years.
4. Any amounts of unrightfully collected benefits as defined by a legally valid decision shall be subject to deduction from benefits eligible for payment, and should no benefits eligible for payment exist - such amounts shall be collected according to provisions applicable to execution proceedings.
5. Provisions of clauses 2 - 4 and 8 hereto shall not apply, should any specific regulations on granting benefits and payment provide otherwise.
6. Should the collection of unrightful benefits have been caused by an employer submitting false information having an impact on the benefit eligibility rights or the actual amounts thereof, the employer concerned shall bear the sole responsibility for returning any such benefits.
7. Any receivables due to unrightful receipt of social insurance benefits shall be prescribed following a period of 5 years as of the date of legalising the relevant decision providing for the said receivable arising.
8. The Institute may withdraw the demand to recover any amounts of unrightfully received benefits in part or in whole, should specifically justified circumstances occur.
9. Provisions of clauses 1 - 8 shall apply to monetary benefits other than social insurance benefits paid on the strength of separate regulations by the Institute.

10. The provision referred to in clause 8 shall apply respectively to benefits paid out directly by the employer.

Article 85.

1. Should the Institute - within the deadlines defined by the regulations concerning the granting and payment of social insurance benefits or of benefits to be paid by virtue of separate regulations or international treaties - fail to determine the benefit eligibility rights, or to pay any such benefits, the Institute shall be obliged to pay interest on such payment, at the statutory rate as laid down by Civil Law provisions. The aforementioned shall not apply when the delay in benefit granting or payment has resulted from circumstances beyond the Institute's control.
2. The minister responsible for social insurance issues in co-operation with the minister responsible for public finance shall determine, by virtue of a decree, detailed rules on the payment of interest.

Chapter 10. Social Insurance Task Performance Audit

Article 86.

1. Authorised employees of the Institute shall bear sole responsibility for auditing the performance of any social insurance duties by contribution payers.
2. The audit tasks may include the following, in particular:
 - 1) notification of social insurance participation,
 - 2) correctness and integrity of calculation, withholding, and payment of contributions and other contributions and payments which the Institute is obliged to collect,
 - 3) determination of eligibility for social insurance benefits and payment of those benefits, as well as settlements in respect thereof,
 - 4) accuracy and timeliness of processing applications for pension and disability pension benefits,
 - 5) issuing certificates or filing data for social insurance purposes.

Article 87.

1. In the course of any audit, the audit inspector of the Institute shall be entitled to do the following:
 - 1) examine all books, financial and accounting documents and personal files, as well as any other information carriers covered by the audit,
 - 2) preserve all evidence,
 - 3) request information from the contribution payer and the insured,

- 4) verify identification documents of individuals to ascertain their identity, if necessary for audit purposes,
 - 5) hear witness statements,
 - 6) hear the statement of the contribution payer and the insured who shall be a party to the case if due to a lack of or insufficient evidence some circumstances which have an impact on the audit procedures remain unexplained,
2. The audit inspector of the Institute shall use information derived from the insured individuals' accounts and contribution payer accounts for inspection purposes.

Article 88.

1. Contribution payers shall be obliged to:
 - 1) make available all books, documents and other information carriers related to the scope of the audit which are kept on the payer's premises and with third parties who have been entrusted with some activities on the basis of separate agreements,
 - 2) prepare and submit copies of documents pertaining to the subject matter of the inspection and determined by the audit inspector of the Institute,
 - 3) ensure proper conditions for audit procedures, including making available communications (not transport) media and other technical facilities necessary to perform audit procedures which are at the disposal of the payer,
 - 4) provide explanations to the inspector,
 - 5) submit a translation into Polish of any financial, accounting and personal information prepared in a foreign language delivered by the contribution payer.
2. The payer shall be obliged to perform the procedures described in clause 1 free of charge.
3. The contribution payer shall be obliged, within a set deadline, to provide the audit inspector of the Institute with documents requested for performance of audit procedures.

Article 89.

1. The audit inspector of the Institute shall commence to conduct the audit on the contribution payer's premises after presenting an official identity card and authorisation to perform the audit, concurrently informing of the commencement of audit procedures.
2. The audit inspector of the Institute shall be obliged to inform the contribution payer about his rights and obligations as stipulated by the act. The contribution payer shall confirm that he is

acquainted with his rights and obligations by signing the notification of commencement of audit procedures.

3. Should the contribution payer be absent, audit procedures may begin after presenting documents referred to in clause 1 to an individual authorised to represent the payer or manage the payer's business. A protocol shall be prepared of these procedures and shall be immediately delivered to the contribution payer.
4. A contribution payer who is present at the time of the audit as well as an individual indicated by him shall be entitled to participate in audit procedures.
5. A contribution payer should be informed of the place and date of obtaining evidence from witness testimonies in a manner enabling him to participate in obtaining the evidence, no later than directly before the commencement of these procedures.
6. The provisions of clause 5 shall not apply if actual circumstances justify immediate commencement of the procedures in the absence of the payer. The absence of the payer shall be noted in the audit protocol.

Article 90.

1. The audit procedures shall be conducted at the seat of the contribution payer and on the premises where the payer conducts his business, as well as on the premises where third parties entrusted to perform specific operations on the basis of separate contracts conduct business operations.
2. The audit inspector of the Institute shall be authorised to enter and move on the premises of the payer and business premises on the basis of documents referred to in Article 89, clause 1, without the need to obtain a pass and without undergoing personal search stipulated by by-laws of the contribution payer.
3. An audit inspector of the Institute shall be subject to safety-at-work regulations binding on the premises where the audit procedures are being conducted.
4. Audit procedures may be conducted outside the premises described in clause 1 if the conditions referred to in Article 88, clause 1, item 3 are not ensured by the contribution payer and when the nature of the procedures so warrants.
5. In cases described in clause 4 a contribution payer shall be obliged to present documents specified by the audit inspector of the Institute on demand, as described in Article 88, clause 1, item 1, for a period necessary to conduct the audit procedures, however no longer than for 3 weeks. Such operations shall be conducted at a local organisational entity of the Institute. A protocol shall be prepared on the issuance of the documents which shall be signed also by the contribution payer.

2. The Institute shall ensure the contribution payer has access to the issued documents at his request.

Article 91.

1. The audit findings shall be described in the audit protocol which should include:
 - 2) the identity of the territorial organisational entity of the Institute,
 - 3) the identity of the audited contribution payer,
 - 4) the identity of the audit inspectors of the Institute who perform the audit procedures,
 - 5) the description of the audit scope,
 - 6) the date of commencement and completion of the audit,
 - 7) a description of findings, quoting the legal basis,
 - 8) presentation of evidence,
 - 9) instruction on a right to express reservations,
 - 10) a stamp and signature of the audit inspector of the Institute.
2. The protocol shall be prepared in two identical copies, of which one shall be delivered to the payer under audit or an individual authorised to represent him or manage his business operations.
3. A contribution payer shall have the right to submit written reservations as to the findings of the audit within 14 days of the receipt of the protocol, simultaneously indicating the appropriate evidence.
4. An audit inspector of the Institute shall be obliged to examine the reservations expressed and, if necessary, engage in additional audit procedures, and inform of the method of examination of the contribution payer's reservations in writing.
5. The audit protocol shall form the basis for issuing a decision in the scope and according to procedures described in Article 83.

Article 92.

1. 1.The audit inspector of the Institute shall be excluded from participation in the audit if circumstances occur which may affect the impartiality of his proceedings.

2. The audit inspector of the Institute shall be obliged to keep any information he obtained in the course of official proceedings confidential. The confidentiality clause shall be binding also after he ceases to be employed as the audit inspector of the Institute.

Article 93.

1. The post an audit inspector may only be occupied by an employee who:
 - 2) is solely a Polish citizen and is entitled to full civil and civic rights,
 - 3) has a clean opinion and has never been penalised for a purposeful crime,
 - 4) has university level education,
 - 5) has been employed in the head office or in a territorial organisational entity of the Institute for at least two years,
 - 6) took qualification examinations for the post of an audit inspector of the Institute and achieved positive results before a commission called by the chief audit inspector of the Institute.
2. The audit inspector shall be appointed by the President of the Institute at the request of the chief audit inspector of the Institute.
3. In special cases the President of the Institute at the request of the chief audit inspector of the Institute, may appoint an individual who does not comply with the conditions described in clause 1, items 3 and 4, an audit inspector of the Institute.
4. At the request of the chief audit inspector of the Institute the President of the Institute shall recall an audit inspector from his post if the inspector :
 - 1) has resigned from his post,
 - 2) does not comply with conditions defined in clause 1, items 1 and 2,
 - 3) has lost the physical or mental capabilities to perform work at the post, confirmed by a medical certificate,
 - 4) received a negative qualification evaluation confirmed by another negative evaluation made no earlier than after 3 months and no later than within a year of the previous evaluation,
 - 5) has a determined right to pension or disability pension.

5. The employees of the Institute entitled to perform audit procedures before the Act comes into force, who comply with conditions described in clause 1, items 1, 2, and 4, shall retain their rights to audit the contribution payers if they take the exam referred to in clause 1, item 5 within 18 months.

Article 94.

1. The President of the Institute shall appoint and recall the chief audit inspector of the Institute after obtaining an opinion of the Institute's supervisory board.
2. The chief audit inspector of the Institute and audit inspectors of the Institute authorised by him shall order audits of contribution payers, and the Chief inspector of the Institute shall supervise the audits on behalf of the President of the Institute.

Article 95.

Audit inspectors of the Institute shall be protected as stipulated in the Penal Code for public officials with regard to performance of audit procedures.

Article 96.

1. Tax chambers and offices shall be obliged to give information on observed instances of infringement of social insurance regulations.
2. Control, inspection and audit authorities operating in government and local government administration shall be obliged to render the results of the audit performed by these authorities accessible to the Institute upon request.

Article 97.

The Council of Ministers shall determine, by virtue of a decree, the detailed rules and procedures of auditing contribution payers.

Chapter 11. Social Insurance Act Infringement Liability

Article 98.

1. A contribution payer or an individual obliged to act on behalf of the contribution payer who:
 - 1) fails to fulfil the obligation of paying social insurance contributions within the dates stipulated by appropriate regulations,
 - 2) fails to file statutory data as stipulated by the Act, or files false data having an impact on the contribution amounts, or provides false clarification, or refuses to provide clarification,
 - 3) prevents audit procedures or hinders the course thereof,
 - 4) fails to fulfil the obligation to pay social insurance benefits or pays them unrightfully,
 - 5) fails to maintain documentation pertaining to the calculation of contributions and payment of social insurance benefits,
 - 6) fails to fulfil the obligation to transfer the settlement declarations and name-specific monthly reports within the stipulated period,

shall be liable to a penalty fine of up to 5000 zlotys.

2. The same penalty shall be applied to individuals who commit deeds defined in clause 1 while paying contributions or making payments on grounds of other titles which the Institute is obliged to collect.

Chapter 12.

Amendments to Valid Regulations

Article 99.

In the Act of March 20th 1950 on the taking over of the mortmain estate by the State, guaranteeing the ownership of farms by parish priests and the establishment of the Church Fund (*Journal of Law* No. 9, item 87 and No. 10, item 111, from 1969, No. 13, item 95, and from 1975, No. 17, item 94) the following amendments shall be made to Article 9, clause 1:

- 1) item 3 shall be deleted,
- 2) item 4 shall read as follows:

“4) payment of social insurance contributions on behalf of members of the clergy in amounts defined by the Act of October 13th 1998 on the social insurance system (*Journal of Law* No.item).”

Article 100.

In the Act of November 23rd, 1990 on telecommunications (*Journal of Law* of 1995, No 117, item 564, of 1996, No. 106, item 496, of 1997, No. 43, item 272, No. 88, item 154, No. 106, item 675, No. 121, item 770, and No. 137, item 926) in Article 60a after clause 2 clause 3 shall be added and shall read as follows:

“3. The regulations of clauses 1 and 2 shall apply to contribution receivables in respect of social insurance, the Labour Fund, the Guaranteed Employee Benefit Fund and health insurance, and to payments to the State Fund for the Rehabilitation of the Handicapped, respectively.”

Article 101.

The following amendments shall be made to the Personal Income Tax Act of July 26th 1991 (*Journal of Law* of 1993, No. 90, item 416, and No. 134, item 646; of 1994, No. 43, item 163, No. 90, item 419, No. 113, item 547, No. 123, item 602, and No. 126, item 626; of 1995, No. 5, item 25, and No. 133, item 654; of 1996, No. 25, item 113, No. 87, item 395, No. 137, item 638, No. 147, item 686, and No. 156, item 776, and of 1997, No. 28, item 153, No. 30, item 164, and No. 71, item 449, No. 85, item 538, No. 96, item 592, No. 121, item 770, No. 123, item 776, No. 137, item 926, No. 139, item 932, 933 and 934, and No. 141, item 943 and 945, and from 1998, No. 66, item 430, No. 74, item 471, No. 108, item 685 and No. 117, item 756):

- 1) Article 26, clause 1, item 2 shall read:

“2) pension, disability pension, and sick leave insurance contributions paid or withheld by the contribution payer and associated with sources of income, as defined in social security regulations, if they have not been included in tax-deductible costs,”
- 2) in Article 32, clause 2, after the words “2a” the following words shall be added: “and after subtracting pension and disability pension, as well as sick leave insurance contributions, referred to in Article 26, clause 1, item 2,”
- 3) in Article 33, in clause 3, in the first sentence the full stop shall be replaced by a comma, and the following words shall be added: “reduced by pension and disability pension, as well as sick leave insurance contributions withheld by the contribution payer in a given month as defined in Article 26, clause 1, item 2,”
- 4) in Article 35, clause 1, item 3 shall read as follows:

“3) employment institutions - on benefits paid from the Guaranteed Employees Benefit Fund, net of any contributions withheld by the payer in a given month for pension, disability pension, and sick leave insurance, as well as of benefits paid from the Labour Fund.”

- 5) in Article 37, clause 1a, after the word “payer” the following words shall be added:
“pension, disability pension and sick leave insurance contributions, referred to in Article 26, clause 1, item 2”,
- 6) in Article 39, clause 1, after the words “income and” the following words shall be added:
“pension, disability pension and sick leave insurance referred to in Article 26, clause 1, item 2”.

Article 102.

In the Act on Corporate Income Tax of February 15th, 1992 (*Journal of Law* of 1993, No. 106, item 482, and No. 134, item 646, of 1994, No. 1, item 2, No. 43, item 163, No. 80 item 368, No. 87, item 406, No. 90, item 419, item 113, No. 547, No. 123, item 602, No. 127, item 627, of 1995, No. 5, item 25, No. 86, item 433, No. 96, item 478, No. 133, item 654, No. 142, item 704, of 1996, No. 25, item 113, No. 34, item 146, No. 90, item 405, No. 137, item 639, No. 147, item 686, and of 1997, No. 9, item 44, No. 28, item 153, No. 79, item 484, No. 96, item 592, No. 107, item 685, No. 118, item 754, No. 121, item 770, No. 123, item 776 and 777, and No. 137, item 926, No. 139, item 923, 933, and 934, No. 140, item 939, No. 141, item 945, and from 1998, No. 60, item 383, No. 108, item 685, and No. 117, item 756) in Article 6, clause 1, item 11 the full stop shall be replaced by a comma, and item 12 shall be added and shall read as follows:

“12) The Social Insurance Institute referred to in the Act of October 13th 1998 on the Social Insurance System (*Journal of Law* No....., item).”.

Article 103.

In the Act of December 29th, 1993 on Protection of Employee Rights in Case of Insolvency of the Employer (*Journal of Law* from 1994, No. 1, item 1, and of 1995, No. 87, item 435, and of 1996, No. 5, item 34, and of 1997, No. 28, item 153 and No. 123, item 776 and from 1998, No. 106, item 668) the following amendments shall be made:

- 1) in Article 4:
 - a) in clause 1 after the words “remuneration not paid for work performed” the following words shall be added: “for a period no longer than 1 month, simultaneously ordering a loan to be granted to the employer in the amount equivalent to the social insurance contribution amount on remuneration payable to the employees for that period, but not paid out.”,

- b) in clause 1a the words “the conditions for its repayment by the employer shall be determined” shall be replaced by the words “and of granting a loan to the employer, the conditions for their repayment by the employer shall be determined”;
 - c) in clause 2 a third sentence shall be added and shall read as follows: “Art. 6a clause 2a shall apply respectively.”;
- 2) in Article 6:
 - a) in clause 2 after item 3 item 4 shall be added and shall read: “4) social insurance contributions due from employers, referred to in the Act of October 13th 1998 on the Social Insurance System (*Journal of Law* No....., item)”.
 - b) in clause 4 after the words “letters a-d” the following words shall be added “and item 4”.
- 3) in Article 6a:
 - a) in clause 2 after the words “Article 4, clause 2” the following words shall be added “in recognition of clause 2a.”;
 - b) after clause 2, clause 2a shall be added and shall read as follows: “2a. If the remuneration due to the employee exceeds the amount mentioned in clause 2, in the calculation of respective receivables the amount of social insurance contributions financed from the employee’s funds, on the difference between the remuneration due to the employee and the amount of average monthly remuneration referred to in Article 4, clause 2, shall be taken into account.”
- 4) Clause 1 of Article 18 shall read as follows: “1. Contributions to the Fund shall be determined on payments comprising the basis of pension and disability pension insurance rates without applying the limitation referred to in Article 19, clause 1 of the Social Insurance System Act.”.

Article 104.

In the Act on Employment and Counteracting Unemployment of December 14th, 1994 (*Journal of Law* No. 25, item 128, No. 28, item 153, No. 41, item 255, No. 63, item 403, No. 93, item 568, No. 107, item 692, No. 121, item 770, No. 123, item 776, and of 1998, No. 66, item 431, No. 106, item 668, and No. 108, item 684) the following amendments shall be made:

- 1) in Article 31:
 - a) in clause 1, item 1 the words “and funeral” shall be deleted,
 - b) clause 5 shall be deleted;
- 2) in Article 37 m:
 - a) after clause 1, clause 1a shall be added and shall read:
 “1a. Individuals receiving pre-pension welfare benefits or pre-pension benefits shall be entitled to funeral allowance in accordance with respective procedures stipulated for employees.”,
 - b) in clause 2, after the words “referred to in” the words “clause 1a and” shall be added;
- 3) in Article 48, clause 2, item 2 shall be deleted;
- 4) in Article 49, clause 1, item 2 shall be deleted;
- 5) in Article 53:
 - a) in clause 1 the words “social insurance and pension benefits” shall be replaced by the words “pension and disability pension insurance without the limitations referred to in Article 19, clause 1 of Act of October 13th 1998 on the Social Insurance System (*Journal of Law* No....., item),”
 - b) in clause 3 the words “for social insurance shall be” shall be replaced by the words “determined pursuant to clause 1, shall be”;
- 6) in Article 56, clause 1 shall read as follows:
 “1. Contributions to the Labour Fund shall be paid for the period of the pension and disability pension insurance cover according to procedures and rules stipulated for social insurance contributions.”.

Article 105.

In the Act of February 6th, 1997 on universal health insurance (*Journal of Law* No. 28, item 153, No. 75, item 468, and of 1998, No. 117, item 756) the following amendments shall be made:

- 1) in Article 7:
 - a) in item 21 in the first sentence after the words “as a result” the words “in recognition of item 21a” shall be added,

- b) after item 21, item 21a shall be added and shall read as follows:

“21a) children authorised to receive survivorship pension shall also be deemed to be members of the family.”;
- 2) in Article 8, item 10, after the words “or disability pension”, the words “with the exception of individuals referred to in Article 7, item 21a” shall be added;
- 3) in Article 8a, clause 3a shall be added and it shall read:

“3a. Membership in a medical care society of an individual referred to in clause 2 shall not expire in the period when this individual receives benefits awarded on the basis of sick leave insurance or workman’s compensation insurance which are not included in the basis of health insurance contribution rates.”;
- 4) in Article 21:
 - a) clauses 1 and 2 shall read as follows:

“1. Regulations defining pension and disability pension contribution rates shall be applied to set the basis of health insurance benefits of individuals referred to in Article 8, item 1a), and c)- h), in recognition of clause 2b, 2c, and 3a.

2. Regulations defining pension and disability pension contribution rates shall be applied to set the basis of health insurance benefits of individuals referred to in Article 8, items 2-7, liable to pension and disability pension insurance, in recognition of clause 2b, 2c, and 3a.”;
 - b) after clause 2, clauses 2a-2c shall be added, and shall read as follows:

“2a. The basis of contributions for individuals referred to in Article 8, items 2-7 who are not liable to pension and disability pension insurance shall be an amount equivalent to their remuneration.

2b. In determining the basis of health insurance contributions of individuals referred to in clause 1 any remuneration exclusions due to sick leaves and the limitation referred to in Article 19, clause 1 of the Social Insurance System Act (*Journal of Law* No.....item...) shall not apply.

2c. The basis of health insurance contributions shall be decreased by the amounts of pension, disability pension and sick leave insurance contributions withheld by the payer from the funds of the insured in accordance with social insurance system regulations.”;
 - c) in clause 3, item 1, the comma shall be deleted and the following words shall be added: “reduced by the pension and disability pension insurance contributions withheld by the payers from the funds of the insured, in accordance with social insurance system regulations,”;
- 5) Article 26a shall read as follows:

“Article 26a. The costs of collection and recording health insurance contributions shall

be withheld by the Social Insurance Institute in the amount of 0.5% by the Individual Farmers Social Insurance Fund in the amount of 0.25% of the contributions transferred to medical care societies”;

- 6) in Article 169c the current text shall be marked as clause 1, and clauses 2 and 3 shall be added as follows:

“2. Until June 30th 1999 regulations of Article 26 clause 4 shall not apply. The Social Insurance Institute and the Individual Farmers Social Insurance Institute shall divide the funds from health insurance contributions collected between the medical care societies according to a financial plan prepared by the Plenipotentiary.

3. The Social Insurance Institute and the Individual Farmers Social Insurance Institute shall transfer the funds referred to in clause 2 to the appropriate medical care society no later than within 3 working days of the date of receipt of health insurance contributions.”.

Article 106.

In the Occupational and Social Rehabilitation and Employment of the Handicapped Act of August 27th, 1997 (*Journal of Law* No. 123, item 776 and No. 160, item 1082, and from 1998, No. 99, item 628 and No. 106, item 668) the following amendments shall be made:

- 1) Article 25 shall read as follows:

“Article 25, clause 1. Contributions for social insurance of individuals handicapped to a large or medium degree, employed by an employer who employs less than 25 people on a full time basis, and of handicapped individuals employed in a special enterprise employing disabled individuals (*zakład pracy chronionej*) or an occupational activity enterprise (*zakład aktywności zawodowej*) shall be calculated according to rules defined by the Social Insurance System Act of October 13th 1998 (*Journal of Law* No....item....), in recognition of clauses 2 and 3.

2. In enterprises employing less than 25 people, in respect of employees handicapped to a large or medium degree:

- 1) a part of the remuneration equivalent to the pension insurance contribution due from the employee shall be financed by the State Fund for the Rehabilitation of the Handicapped.
- 2) a part of the labour costs of the employer equivalent to the pension insurance contribution due from the employer shall be financed by the State budget.

3. In special enterprises employing disabled individuals and in occupational activity enterprises, the following shall be binding in respect of the handicapped:

- 1) a part of the remuneration equivalent to the pension and sick leave insurance contributions due from the employee shall be financed by the State Fund for the Rehabilitation of the

Handicapped,

2) a part of the employer's labour costs equivalent to the pension and disability pension insurance contribution due from the employer shall be financed by the State budget, and in the part equivalent to the workman's compensation insurance contribution shall be financed by the State Fund for the Rehabilitation of the Handicapped."

4. The Social Insurance Fund shall inform the institutions referred to in clause 2 and 3 of the transfer of a part of the employee's remuneration equivalent to the social insurance contribution due, financed by the State Fund for the Rehabilitation of the Handicapped, within 7 days of its receipt.
 5. Employees referred to in clause 2 and 3 shall be deemed to be employees and individuals engaged in work-by-job.
 6. Detailed rules and procedures for calculation of social insurance contributions, taking into account subsidies from the State Fund for the Rehabilitation of the Handicapped and the State budget, shall be determined by virtue of a decree, the minister responsible for social insurance issues.
 7. The difference between the social insurance contribution withheld on behalf of a handicapped individual employed in the enterprises referred to in clauses 2 and 3, and the part of the social insurance contribution transferred to the Social Insurance Institute shall remain in those enterprises.";
- 2) In Article 31:
- a) in clause 3, item 1a after the words "in the amount of 10%", the words "in recognition of clause 3a" shall be added.
 - b) clause 3a shall be added after clause 3 and shall read:
"3a. The manager of an enterprise employing handicapped individuals may be granted an exemption from payments to the State Fund for the Rehabilitation of the Handicapped in accordance with procedures defined in Article 49, also when funds from the company fund for the rehabilitation of the handicapped do not suffice to finance the contribution referred to in Article 25, clause 3, item 2."

Chapter 13. Transitional and Final Provisions

Article 107.

1. Contribution payers shall be obliged to submit a notification of the names of all individuals for whom they are obliged to pay social insurance contributions as at December 31st 1998 and as at January 1st 1999, no later than on January 31st 1999.
2. Contribution payers who pay social insurance contributions on their own behalf as at December 31st 1998 and as at January 1st 1999 shall also be obliged to submit the notification referred to in clause 1, by January 31st 1999.
3. Contribution payers referred to in clauses 1 and 2 shall be obliged to notify the contribution payer by January 31st 1999.

Article 108.

Social insurance or health insurance contribution payers who as at the date of the Act coming into force have not been assigned a NIP identification number or have not applied for the assignment of the same, shall be obliged to apply for an identification number within one month of this Act coming into force, according to procedures defined in a separate act on the rules for registration and identification of tax payers.

Article 109.

Contribution payers shall be obliged to settle and pay contributions on the basis of current regulations in respect of social insurance contributions and survivorship pension and nursing benefits due for the period ending on December 31st 1998.

Article 110.

1. Employers shall raise any remuneration due to their employees as of January 1st 1999, calculating such remuneration in a fashion ensuring that following the deduction of pension, disability pension and sick leave insurance contributions such remuneration be not lower than that paid in the course of the final month prior to the indexation.
2. The regulation of clause 1 shall be applied to remuneration due to members of both Houses of the Parliament and to other remuneration for service, respectively.
3. The minister responsible for social insurance issues shall, by virtue of a decree, determine the formula of restating salaries and remuneration defined in clauses 1 and 2 hereto.
4. The minister responsible for social insurance issues shall announce the level of the minimum employee remuneration upon the restatement performed in a manner defined in the decree referred to in clause 3.

Article 111.

1. The contribution transfer mentioned in Article 22, clause 3 is mandatory for the insured born after December 31st, 1968.

2. The insured mentioned in clause 1 hereto shall be obliged to conclude agreements with an open pension fund no later than by September 30th, 1999. Regulations of Article 39, clause 2, shall be applied respectively.
3. Those insured who were born after December 31st, 1948, but before January 1st, 1969, may, at their own request and upon concluding a contract, join the chosen open pension fund.
4. The insured referred to in clause 3 may conclude a contract with an open pension fund by December 31st 1999, in recognition of clause 6.
5. The access of the insured referred to in clause 3 to an open pension fund shall be deemed to be an irrevocable declaration of will in respect of the selection of pension insurance according to principles defined for individuals born after December 31st 1968.
6. The deadline referred to in clause 4 shall be deemed to be kept if the individual born in the period described in clause 3 was not liable to social insurance in 1999, but accessed an open pension fund within 6 months of the insurance liability arising, after December 31st 1999, and on the date of the liability arising was not yet 50 years old.
7. The whole amount of the contribution for pension and disability pension insurance of the insured who have not filed an application to join an open pension fund shall be transferred to FUS.
8. The contribution mentioned in Article 22, clause 3 shall be transferred to an open pension fund beginning from the nearest pension contribution payment term falling after the date of receiving by ZUS from an open pension fund the notification, however no later than by August 1999.
9. The contribution of the insured referred to in clause 1 shall be transferred to open pension funds on terms and conditions described in clause 8, however in the event of the insured individual not having concluded a contract within the deadline stipulated by clause 2, the contributions beginning with the employment related contribution from October 1999 set aside for an open pension fund shall be transferred to the open pension fund immediately after membership in the open fund has been gained. Regulations of Article 39, clause 4, shall apply accordingly.

Article 112.

1. The FRD funds may not be used before the year 2009.
2. The interest referred to in Article 22, clause 1 item 1 and clause 4, shall be decreased by 1% of the basic contribution amount beginning in the calendar year referred to in clause 1.

Article 113.

The term of office of the current supervisory boards of Social Insurance Institute, appointed on the basis of Article 20 and 21 of the act referred to in Article 122, clause 1, item 1 shall end with the date of appointment of the Institute's supervisory board, referred to in Article 75.

Article 114.

1. With the date of this act coming into force any assets managed by the Institute which are owned by the State Treasury shall become the property of the Institute.
2. By virtue of the law, the acquisition of ownership rights to property constituting a part of the assets referred to in clause 1 shall be determined on the strength of the law, by virtue of a decision by the voivode.
3. Within the scope of activities defined in the Act the Institute shall be exempt from real estate tax and from stamp duty and legal fees.

Article 115.

The Institute is the legal successor of the following institutions operating from the year 1950: The Social Insurance Institute, social insurers and insurance funds in respect of social insurance, and is entitled, if that does not infringe any third party rights, to demand the return of real property constituting, in the given period, the property of those legal entities.

Article 116.

1. The Social Insurance Fund established on the basis of the act referred to in Article 122, clause 1, item 1 shall be liquidated as of January 1st 1999, and its cash, receivables and payables shall be taken over by the pension fund separated from the FUS, in accordance with Article 55.
2. Current and investment assets and liabilities of the Social Insurance Institute acting on the basis of the act referred to in clause 1 shall as of January 1st 1999 become the assets and liabilities of the Institute.
3. The pension fund shall finance the Institute's expenses on a temporary basis. The refund of those expenses to the pension fund shall take place after the funds referred to in Article 55 earn income from social insurance contributions.

Article 117.

1. The Institute shall take over the responsibilities of railway organisational entities responsible for the determination and payment of benefits, acting under the Act of April 28th 1983 on pension benefit entitlement of railway employees and their families (*Journal of Law* No. 23,

item 99, from 1985, No. 20, item 85, from 1990, No. 36, item 206, from 1997, No. 43, item 272 and from 1998, No. 66, item 431).

2. The railway organisational entities referred to in item 1 shall pay out benefits in 1998 and shall transfer any documentation necessary for the Institute to pay out benefits for the period from the Act coming into force, and any documentation necessary to assign or recalculate benefits, as well as documentation necessary to perform the annual calculation of income tax for physical entities for 1998.
3. The minister responsible for transport issues shall transfer to the Institute property rights and tangible assets within the scope necessary to take over tasks referred to in clause 1.
4. Detailed rules and procedures for the take-over shall be determined by a decree of the minister responsible for transport issues in co-operation with the minister responsible for social insurance issues.

Article 118.

In 1999 the period referred to in Article 47, clause 9 shall comprise 5 working days, in the year 2000 - 4 working days, and in the year 2001 - 3 working days.

Article 119.

Banks shall be obliged to prepare and ensure access to the payment order forms described by the Act to contribution payers by December 15th 1998.

Article 120.

The tasks defined in the act which are necessary for the functioning of the Institute as of January 1st 1999 until that date shall be performed by the Social Insurance Institute referred to in Article 7 of the act referred to in Article 122, clause 1 item 1.

Article 121.

The interest rate in respect of workman's compensation insurance for the period from January 1st to December 31st 1999 shall amount to 2.03% of the basis for calculation.

Article 122.

1. The following legal regulations shall hereby become invalid:
 - 1) the Social Insurance Organisation and Funding Act of November 25th, 1986 (*Journal of Law* of 1989: No. 25 items 137 and No. 47 item 441, of 1990: No. 36 item 206, of 1991: No. 7 item 24, No. 104 item 450 , and No. 110 item 474, of

- 1994: No. 84 item 385, and of 1995: No. 4 item 17, No. 85 item 426 and of 1997, No. 121, item 770, and from 1998, No. 106, item 668, and No. 108, item 684),
- 2) the Pension Benefits for Artists and their Family Members Act of September 27th, 1973 (*Journal of Law* of 1983: No. 31 item 143, of 1986: No. 42 item 202, of 1989: No. 35 item 190, of 1990: No. 36 item 206, of 1995, No. 4, item 17, of 1996, No. 100, item 461, and of 1997, No. 28, item 153),
 - 3) Articles 1-5 and Article 29, clauses 1 and 2, of the Social Insurance of Individuals Employed on Basis of an Agency or Short-term Job Contract Act of December 19th, 1975 (*Journal of Law* of 1995: No. 65 item 333 and No. 128 item 617, of 1996, No. 100, item 461, of 1997, No. 28, item 153),
 - 4) Articles 1-4, and Article 26, clauses 1 and 2, of the Social Insurance of Sole Proprietor and their Family Members Act of December 18th 1976 (*Journal of Law* of 1989, No. 46 item 250, of 1990: No. 36 item 206, and of 1991: No. 104 item 450 and No. 110 item 474, of 1995, No. 4, item 17, of 1996, No. 100, item 461, No. 124, item 585, and of 1997, No. 28, item 153, and from 1998, No. 66, item 431),
 - 5) Chapter 8 of the Pension Benefits of State Railway Employees and their Family Members Act of April 28th 1983 (*Journal of Law* No. 23 item 99, of 1985, No. 20, item 85, of 1990 No. 36 item 206, of 1997, No. 43, item 272, and of 1998, No. 66, item 431),
 - 6) the Clergy Social Security Act of May 17th 1989 (*Journal of Law* No. 29 item 156, of 1990, No. 36, item 206, of 1991, No. 104, item 450, of 1995, No. 4, item 17, and of 1996, No. 100 item 461, and of 1997, No. 28, item 153).
2. Until the date of issuing executive regulations as provided for by this Act, the provisions of executive regulations issued by virtue of the Act stipulated by clause 1 item 1 hereto shall remain applicable, unless proven as contrary to any provisions of this Act.
1. Wherever the regulations:
 - 1) refer to provisions relating to the organisation and financing of social insurance or to regulations on social insurance or to employees' social insurance regulations, it shall mean a reference to the social insurance system regulations.
 - 2) refer to the Social Insurance Institute or the Foreign Annuities Office as to the relevant body, it shall mean the Institute's organisational entity.

Article 123.

Regulations of the Civil Code shall apply to legal procedures in cases regulated by the Act, unless the Act stipulates otherwise.

Article 124.

The regulations of Article 50, clause 1 in the part relating to informing of data collected in an account shall apply as of January 1st 2000.

Article 125.

The provisions of Article 32, Article 47, clause 4, item 4, clauses 14 and 15, Article 68, item 1c) and Article 76, clause 1, item 2c) and item 3, in the part relating to the collection of payments to the State Fund for the Rehabilitation of the Handicapped shall apply as of January 1st, 2000.

Article 126.

Provisions of Article 50, clause 1 in the part relating to hypothetical pension shall apply as of January 1st, 2004.

Article 127.

This Act shall come into force on January 1st, 1999, with the exception of:

- 1) Article 24-31, 33, 73 clause 2, Article 74, clauses 1 and 5, Article 75, clause 1 item 1, 2, 9, and 10, and clause 3, Article 109, 117, clause 2-4, Article 119 and 120 which shall come into force within 14 days of the Act coming into force,
- 2) Article 108 which shall come into force as of December 1st, 1998.
- 3) Article 39, clause 1-4 which shall come into force as of October 1st, 1999.
- 4) Article 15, clause 2, Article 22, clause 1, item 4 and clause 2 which shall come into force as of January 1st, 2000.
- 5) Article 22, clause 4 which shall come into force on January 1st, 2002.