PKF

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With offices in 440 cities, we operate in 150 countries across 5 continents, and specialise in providing high quality audit, accounting, tax, and business advisory services to international and domestic organisations in all our markets.

where we operate

440 cities

150 countries

5 continents
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Foreword

The PKF ‘Doing Business in Poland’ publication provides an overview of the most important aspects of doing business in Poland and we trust it will be both informative and useful.

Poland is the largest country of the newer European Union (EU) member states and in recent years has been one of the fastest developing countries in the EU. Poland has a strong, dynamic economy which is often regarded as the gateway to the emerging markets of Eastern Europe. It has a young, well-educated workforce and investment incentives include Special Economic Zones (SEZ) and business and technology parks. Poland remains an attractive place for doing business for prestigious international companies.

PKF believes Poland is a country with a committed and highly skilled population, where the quality of work and the focus on long-term goals prevail over short-term benefits for the individual. PKF is very experienced with assisting clients to enter the Polish market and assists in many areas of business. Notably, the main areas in which PKF specialises are as follows:

- Auditing
- Consulting
- Corporate services
- Business advice
- Taxation compliance and advice services
- Outsourcing
- Human resources

PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k
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Demographic and Environmental Overview

Geography and Population

The Republic of Poland (Rzeczpospolita Polska) is one of the largest countries in Central Europe, bordering Russia, Lithuania, Belarus, Ukraine, Slovakia, the Czech Republic and Germany. Its northern frontier on the Baltic Sea provides easy access to Scandinavian and the North Sea ports. Poland’s shape is roughly square, measuring 400 to 440 miles across.

Poland has a surface area of 120,727 square miles and is the eighth largest country in Europe. The country lies almost entirely on the North European Plain and is a land of gentle relief, rarely rising above 350 feet except along the southern border with the Sudety and Carpathian mountain ranges. Rysy is the highest mountain peak at 8,200 feet above sea level.

Poland is divided into:
- Urbanized areas, together with agricultural built-up areas (5.2%);
- Arable land, meadows and pastures (59.9%);
- Forest land (30.9%);
- Land under water (2.1%); and,
- Other (1.9%).

The longest rivers which cross the country northward are the Vistula (667 miles in length) in the center, and the Odra (530 miles), which flows along Poland’s western border. The main language spoken in Poland is Polish.

Poland has a population of over 38.5 million. The capital of Poland, and its largest city, is Warsaw with a population of over 1.7 million and the Warsaw agglomeration (region) has approximately 3 million inhabitants. The most densely populated area in Poland is the Upper Silesian urban area (approx. 3.5 million inhabitants). In addition, it is worth mentioning: Crakow’s agglomeration (approx. 1.2 million inhabitants); Łódź agglomeration (approx. 1.1 million inhabitants); Gdańsk agglomeration (approx. 1.1 million inhabitants); Poznań agglomeration (approx. 1 million inhabitants); and, Wrocław agglomeration (approx. 1 million inhabitants).

In January 1999, a new administrative division was introduced in Poland. The capital cities of the new sixteen ‘voivodships’ are Białystok, Gdansk, Katowice, Kielce, Krakow, Lublin, Lodz, Olsztyn, Opole, Poznan, Rzeszów, Szczecin, Torun, Warsaw, Wroclaw and Zielona Góra.

Political System

In accordance with the Constitution, Poland has a legislative parliament (Sejm and Senate). The President exercises executive authority and a Council of Ministers and judiciary authority oversee the conformity of the legislation with the Constitution.
The Sejm (Lower House) consists of 460 deputies and the Senate (Upper House) consists of 100 senators. The deputies and senators are elected simultaneously for four-year terms by direct, universal and secret vote.

**Economics**

Every year since 1990 Poland has experienced steady growth and, not surprisingly, is considered to have one of the fastest growing Economies in Central Europe.

The economic growth of Poland since 1990 can be attributed to Balcerowicz Plan which removed price controls, eliminated most subsidies to industry, and opened markets to international competition. Notably since 1992, the Polish economy has enjoyed an accelerated recovery, although growth has recently slowed.

Currently, the total value of foreign direct investment in Poland amounts to over USD 255 billion. Foreign capital investment into Poland is significant with over 26,000 entities having investors from many countries, the largest being from Germany, the Netherlands, France and Luxemburg. Overall, with an investment-friendly climate, Poland attracts considerable investment from many countries of Central and Eastern Europe. There is still, however, a considerable amount of ‘government’ red tape and high level of policisation in many business decisions.

In 2002, the Polish government announced a new set of economic reforms which were aimed at attracting investment into Poland and developing the economy and trade. This created a strong investment climate in Poland and notably, the Euro 2012 Football Championships highlighted Poland as a much better competitor in the EU arena.

**Communications and Transportation**

Poland’s fixed land line and mobile phone networks provide good communication with local and international dialling. Equally, its transportation systems are well developed allowing for good internal and external transport. With more than 56 million mobile phone users Poland is ranked 6th amongst the EU countries for this service. Although the number of internet users has more than doubled since 2005, and significant progress made, it still has a bit to go to catch up with the rest of Europe.

Poland has over 416,000 km of roads, of which over 3,100 km are motorways and expressways. Significant investment is planned to improve the road transport network which will see existing roads repaired and improved and the construction of approximately 22,200 km’s of national roads, expressways and motorways (by the year 2023).

Poland’s rail network covers over 20,000 km’s and is the 3rd largest amongst the 28 EU Member States (behind Germany and France). There are plans to upgrade the existing railway lines and operated rolling stock by 2030.

**Services and Exchange Controls**

The finance industry covers a broad range of organisations that provide financial services including banks, credit card companies, insurance companies, consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises. The legal framework governing the financial services sector in Poland consists
PKF – Doing business in Poland – Demographic and Environmental Overview

of various laws including the Banking Law, the Insurance Activity Act, the Trading in Financial Instruments Act, the Investment Funds Act, and the Payment Services Act.

The banking system in Poland comprises of the central bank (the National Bank of Poland), and commercial, retail and investment banks. Both banks and investment firms must obtain a license from the Polish Financial Supervision Authority and comply with specific organisational requirements for a particular type of activity.

The practices of Polish banks have developed to an international standard as a result of the incorporation of EU Regulations into the Polish banking laws and systems, notably, with respect to the free movement of services, free movement of capital, and the economic and monetary union. Indeed, the changes introduced the principle of the ‘freedom of business activity’ into Poland’s economic system and, in the financial sector, this was expressed as the freedom to conclude contracts of any subject and of any content, the freedom to select business partners and the possibility to perform cross-border activities and the freedom of competition. The practical implementation of changes into the law of banking, such as the new standards on prudential supervision on a consolidated basis, entered into force in early 2002.

Many changes are being legislated to improve Poland’s banking systems, not only in ensuring EU compliance but sometimes going beyond this. This is exemplified by the current draft of the Basel Committee Standards with respect to banking supervision and the Rules of Action (New Capital), which provide solutions which extend beyond the current EU directive. Similarly, the right created under the Financial Services Action Plan (the ‘FSAP’) to fully integrate the EU financial markets by the year 2005, and in particular, the draft directives on financial conglomerates, the International Accounting Standards, Collateral, Single Prospectus, and manipulating the markets.

Poland is one of the 179 member countries of the International Monetary Fund (IMF) that does not have exchange controls governing exchange rate arrangements applying to pegged arrangements within horizontal bands.

Import Controls

Poland is a member of European Union and generally most goods can be transported freely between EU countries. Some EU countries however restrict the export of, for example, crafts and antiques, which are treated as part of their national heritage. Similarly, many countries have restrictions which apply to the export and import of tobacco, alcohol, and hazardous materials.

For information, the countries of the EU are as follows: Spain, Germany, Denmark, Greece, United Kingdom, France, Italy, Netherlands, Portugal, Finland, Sweden, Luxembourg, Belgium, Ireland, Austria, Czech Republic, Slovakia, Hungary, Malta, Cyprus, Latvia, Lithuania, Estonia, Slovenia, Romania, Bulgaria and Poland.

Finance

Obtaining an appropriate source of finance for businesses in Poland can sometime be challenging. The Polish financial market does however provide some possibilities and there are a variety of business financing mechanisms however professional guidance is strongly advised to obtain the best financial product, or products, at the best
price. The sources of funding depend on the size of the business and purpose of the investment.

**Equity finance**

The Polish market for investment funds was established only in 1992, and as such, it is a still a developing sector with huge potential. The functioning and structure of Polish funds market has been significantly influenced by Poland’s access to the EU and the changes in law and regulations by way of this. From 24 May 2004 the operation of investment funds in Poland has been defined by the “Investment Funds Act”. Investment funds are entities of public trading that operate under the supervision of the Polish Financial Supervision Authority (PFSA).

In Poland, an investment fund can be established only after the consent of PFSA. There are three types:

- Open investment fund;
- Specialized investment fund; and,
- Closed investment fund.

In Poland only Investment Fund Societies are authorised to manage funds and recent legislative changes have enabled the possibility of selling Polish fund units abroad. In addition, Investment Funds Societies are now authorized to conduct assets management and consultancy.

**Business Angels**

Business Angels are investors who look to invest in new businesses which have innovative ideas but lack sufficient funds to bring them to fruition or develop them sufficiently. Notably, taking a capital stake in such a business can bring substantial rewards but there is also a big risk of failure and losing the capital investment. Such investments tend to be either medium or long-term investments normally between 3 and 7 years. Business Angels can provide funds, experience, know-how and contacts and in return they expect ownership participation in the venture (up to 50%) and a high return rate from the invested capital.

Development of the ‘Business Angel’ market has contributed to the establishment of the Business Angels Network in Poland, an organisation which acts as a mediator between businessmen and individual investors (Business Angels).

**Private equity**

The investment funding for companies in the early stages of growth either at the start or at expansion is called Venture Capital (VC). A VC investment assumes the investment may be high risk but also that it may provide a return which is above average.

In Poland, Venture Capital Funds are actively investing in companies in diverse regions and sectors, and at different stages of development but all have the theme that they have the potential of dynamic growth. Notably,
considerable VC investment is found in technological companies with significant innovative potential such as IT, medicine, biotechnology, finance, and building materials companies.

Private Equity (PE) investors broadly specialise in growing companies, which are planning to float shares on the stock exchange, require restructuring or experience ownership changes.

Both VC and PE mechanisms are the same. They buy shares in the target companies and then strive to increase the company value and thereby the share price. To achieve their objectives they often take an active managerial role on the Board, develop programs and actively participate in supervisory boards.

An institution which is associated with private equity/venture capital investors who actively invest in Polish companies is the Polish Private Equity Association PPEA).

**Grants and Incentives**

Businessmen in Poland, who want to reduce risk of investments or development have an opportunity to obtain grants from many sources. The most significant grants, in light of macro economy, come from the European Structural Funds, the Norwegian Financial Mechanism and the EEA (European Economic Area) Financial Mechanism. Poland has a number of specialised consultants who can provide guidance and insight concerning the different types of grant available and the necessary conditions and obligations. The consultants are able to adequately match the individual needs of their clients to proper donors to maximise the chance to obtain the right grant. Grants have been a very good financing mechanism and notably there have been considerable Norwegian Financial Mechanism grants and EEA grants and a high level European Structural Funds grants.

Selecting an adequate source of financing is often a problem for businessmen. The Polish financial market provides many different sources of business financing and due to the variety and complexities professional guidance is always recommended. Not least, professional consultancy provides the best options available with the related costs to obtain the desired funding. The options available for the provision of investment capital will often depend on the size of the business concerned and the purpose of funding.

**Regulatory Environment**

Economic activity is subject to many regulatory laws, and one of the most important of these is the law of 2 July 2004 on the freedom of economic activities (‘USDG’). This Act establishes the basic rules for the making, implementation and termination of a business. In addition, the Act from 23 April 1964 - Civil Code and Law of 14 September 2000 - the Commercial Companies Code govern the establishment, operation and termination of partnerships and capital. We should also mention the Law from 25 September 1981 concerning state-owned enterprises, the Law from 30 August 1996 on the commercialisation and privatisation of enterprises, the Law from 30 August 1996 on the commercialisation and privatisation and the Act on co-operative law from the 16 September 1982.

An entrepreneur may commence trading after gaining entry into the Register of Entrepreneurs in the National Court Register (this applies to most businesses) or an entry in the ‘records of business’ by the municipal authorities
(this applies to single entrepreneurs and company shareholders). The legal forms through which business is conducted include: one entrepreneur (self-employment); a partnership; a commercial partnership with no legal personality, but having legal capacity (public company, partner company, limited partnership, limited joint-stock partnership); and, a limited liability company having a legal personality (a limited liability company, joint stock company). In addition, economic activities can lead to enterprises, cooperatives and other legal entities (e.g. foundations, associations).

Major Export and Import

Poland exports high quantities of: leather, furs, juice, fruits, frozen fruits, electrical distribution equipment, furniture and wooden products, charcoal and coal, coke scrap, internal combustion engines, iron railway materials, equipment, rail vehicles, ceramics, steel, ships, boilers, turbines, sulphur, and used clothing.

Poland imports machinery, equipment and transport equipment, industrial goods (raw materials), chemicals, mineral fuels, lubricants and related materials. The total annual value of Polish imports has been, in the past few years, between approx. USD 200 to USD 220 billion.

The balance of Poland’s foreign trade turnover, although still negative, has improved significantly and in 2013 and 2014 was at the level of USD 2.6 and USD 3.2 billion respectively.

Government policy on foreign investment in the country

Foreign Investment Policy

The Ministry of Industry has expanded the list of industries which are eligible for the automatic approval of foreign investment and, in certain cases, raised the upper level of foreign ownership from 51% to 74% (and in some cases to 100%).

Facilitating Foreign Investment

In the recent budget, the Finance Minister announced the government’s commitment to a 90-day period for approving all foreign investments. Government officers will be assigned to larger foreign investment proposals and will also facilitate the Central and State clearances in a time-bound manner.

Financial Instruments: Directive on insider dealing and market manipulation (market abuse)

According to Directive, the term "financial instruments" means:


- Units in collective investment undertakings;
• Money market instruments;

• Financial-futures contracts, including equivalent cash-settled instruments;

• Forward interest rates;

• Swap contracts on interest rates, currencies or shares;

• Options to acquire or dispose of any instrument falling into these categories, including equivalent cash-settled instruments. This category includes in particular options on currency and interest rate options;

• Derivatives; and,

• Any other instrument admitted to trading on a regulated market in a Member State or for which a request for admission to trading on that market.
**Forms of Business Organisations**

Foreign entities from the European Free Trade Agreement (EFTA) Member States, parties to the Agreement on the European Economic Area (EEA), from European Union Member States and foreign entities from countries that have concluded ‘freedom of establishment’ agreements with the European Community and its Member States (although they may not be parties to European Economic Area Agreement), may carry on a business under the same rules as those which apply to Polish entrepreneurs. These ‘same rules’ also apply to foreigners living outside the EEA who:

- Received a permit to settle on the Polish territory;
- Have a consent for tolerated stay or a status of refugee granted in the Republic of Poland;
- Enjoy temporary protection within this territory.

Other foreign persons have the right, unless international agreements state otherwise, to undertake and run a business activity, or activities, only in the following forms:

- Limited partnership;
- Limited joint-stock partnership;
- Limited liability company; or,
- Joint-stock company.

**Joint-stock company**

A joint-stock company may be established by one or more persons, with one exception; it may not be established solely by a single-member limited liability company.

The formation of a joint-stock company involves the following:

- Execution of the Statute by the founding members;
- Making payments for shares (minimum capital is 100,000 PLN);
- Establishment of the Management Board and Supervisory Board;
- Entry of the company into the Register of Entrepreneurs.

The Statute must be concluded in the form of a notarial deed in the presence of a Notary in Poland.
The Statute should stipulate:

- The business name and registered address of the company;
- The objects of the company, as specified in Polish Classification of Activities (PKD);
- The life of the company, if established for a definite time period;
- The amount of the share capital;
- The capacity (or lack thereof) for a partner to hold more than one share;
- The number and nominal value of shares subscribed for by individual partners.

The registration of a joint-stock company is conducted by the District Court and the application for entry into the Court Register should be filed by the Management Board and signed by all members of it. A minimum share capital of PLN 100,000 is required. The formal bodies of a joint-stock company are a Shareholders' Meeting, a Management Board and a Supervisory Board. A joint-stock company is liable for its own debts and obligations on the property it owns i.e. shareholders are not liable for the company's debts and obligations.

To set up a joint-stock company, duly completed and signed registry forms are required to be filed at the Registry Court. A NIP (tax identification number) and REGON (statistical number) are provided to the company immediately after its registration.

**Limited liability company**

A limited liability company may be established by one or more individuals or legal persons, however, it may not be established solely by another single-member limited liability company.

The incorporation procedures of a limited liability company are mostly the same as the incorporation procedures for a joint-stock company. The formal bodies of a limited liability company are a Shareholders’ Meeting and a Management Board. A Supervisory Board or Audit Commission is optional, unless the limited liability company has a share capital exceeding PLN 5,000 and there are more than 25 shareholders.

A limited liability company does not necessarily require an audit every year and its shareholders are not personally responsible for the obligations of the company. It is possible to incorporate a limited liability company using the Internet (a Web Master Agreement) in 24 hours.

**Branch of foreign company**

Foreign entrepreneurs may carry out business activity in Poland through a branch office. The rights of foreign entrepreneurs depend on whether Polish entrepreneurs abroad enjoy equivalent rights under international agreements (the principle of reciprocity), and whether any international agreement ratified by Poland provides
otherwise.

A branch must be registered in the Register of Entrepreneurs, a part of the National Court Register, under the name of the foreign investor with a supplement "branch in Poland". Such a branch may only conduct activities within the scope of business of the foreign investor who established the entity concerned.

**Representative Office**

A foreign entrepreneur may set up representative offices in the territory of Poland. A representative office operates for, and on behalf of, the business of the foreign entrepreneur within the territory of Poland and is a part of the organisational and functional structure of his or her business.

A representative office may only conduct promotional and advertising activity of the foreign investor establishing the entity. No other economic activity may be conducted in this form. Such an office is registered in a special Register of Representative Offices kept by the Minister responsible for the economy. Registration may be refused in certain situations provided by law.

**The Board of a limited liability company**

The Board of a limited liability company may consist of one or more members who are appointed by a resolution of shareholders. Board members can be partners or third parties. The Mandate of a Board Member expires at the time of a General Meeting approving the financial statements (for the first complete year he performed as a Board Member). If a Board Member has been in office for more than a year, his term of office expires when the General Meeting is held which approves the financial statements (for the last full year he performed as a Board Member). The Mandate also expires as a result of death, resignation or cancellation of the composition of the Board.

**Running a business**

Capital companies, such as a limited liability company or a joint-stock company, are the only companies under Polish law which are regarded as legal persons and offer shareholders limited liability protection. Other companies under Polish law are all some form of partnership and referred to as “personal companies”. Personal companies do not have a legal personality, have some degree of unlimited liability for the partners (or some of them) and are regarded as “organisational units without legal personality.”

Please note that there is unlimited liability for a company’s own obligations regardless of whether the company is a capital company or a personal company. Some important considerations before operating a business in Poland are:

- Have you the necessary documents (and what you need) to open a bank account;
- Will you be employing people and if so do you understand your obligations as an employer? Have you obtained the necessary work and stay permits (if applicable);
- Have you decided on the shareholding structure of the company and the financial aspects, for example, the
most tax efficient way to organise the company or finance a merger or acquisition, etc.;

- Have you identified the best legal form to operate through in Poland, both from business and from a tax perspective;

- Do you understand and have you addressed the taxation implications of the new business i.e. income taxes, Value Added Tax, Customs and Excise Duties, etc.;

- Have you applied for any relevant incentives and grants such as Public Aid;

- If you are to operate a regulated business, what permits are necessary before trading?

**Partnerships**

The Polish Commercial Companies Code sets out the following types of partnership:

1) A registered partnership;

2) A professional partnership;

3) A limited partnership; and,

4) A limited joint-stock partnership.

A partnership may acquire rights in its own name, including the ownership of real estate and other rights in them. In addition, it may incur obligations, sue and be sued in its own name.

**Registered partnership**

A registered partnership operates a business under its own name. Each partner is liable for the obligations of the partnership without limitation i.e. joint and several liability.

**Professional partnership**

A professional partnership is created by partners for the purpose of pursuing one or more professions, unless a law provides otherwise. Persons qualified to pursue the following professions may become partners in a respective professional partnership; advocate, pharmacist, architect, auditor, insurance broker, tax advisor, accountant, physician, dentist, veterinary doctor, notary, nurse, midwife, legal advisor, patent attorney, property valuer, and sworn translator.

**Limited partnership**

A limited partnership is a partnership which operates a business under its own business name with at least one
partner being liable to the creditors for the obligations of the partnership without limitation (the general partner) and at least one partner (the limited partner) having limited liability.

**Limited Joint-Stock Partnership**

A limited joint stock partnership is a partnership which operates a business under its own name, with at least one partner being liable to the creditors for the obligations of the partnership without limitation (the general partner) and one partner, at least, who is a shareholder.

**Joint Ventures**

In accordance to the Polish legal provisions, there is no legal definition of a Joint-Venture and it is not used to define this type of cooperation in agreements concluded between Polish entities. The most common name for such a contract is “umowa konsorcjum”, the consortium agreement, however, this is only a language difference.

The existence of a Joint-Venture (JV) agreement is based on the general principle of the freedom of the contract rule stipulated in Article 353(1) of the Polish Civil Code which states that:

“The parties to a contract may arrange the legal relationship as they deem proper on the condition that the contents or the purpose of that contract are not contrary to the nature of the relationship, with statutory law, and with the principles of community life”.

The idea of the JV is it is formed based on the cooperation and agreement of the partners to achieve joint objectives. As a result, the mutual obligations of the partners stated in the JV agreement, and their performance, do not constitute the performance of services between the JV partners, with the conclusion that the cooperation results in one service or product being delivered or provided by the JV partners to the final costumer.

According to the above civil code provisions, the parties of a JV agreement can individually conclude and establish the rules of representation, cost calculations, the division of the works, and the participations in profit and losses of projects. The JV agreement is concluded for a fixed term (necessary for the achievement of the JV’s objective) with the JV entities remaining independent and not, as a result, creating a commercial partnership.

**Trusts**

Polish law does not provide for the formation or recognition of a Trust. The closest entity to a trust under Polish law is an investment fund which exists as a separate legal entity (person) and is governed by the Act of Securities 2004 (AOS 2004). An investment fund’s business activity is the investment of funds collected either publically and/or privately from the (defined by the AOS 2004) marketing of financial instruments and other property rights.

There are three types of investment fund:

- An open investment fund;
• A specialized investment fund;

• A closed investment fund.

Closed investment funds attract favourable taxation provisions and are exempt from corporate income tax.

**Polish Law**

The Polish Law, and the legal system in Poland, has been developing since the first centuries of Polish history, over 1,000 years ago. The private laws and public laws are codified. The supreme law in Poland is the Constitution of Poland. Poland is a civil legal jurisdiction and has a Civil Code, the Civil Code of Poland.

Polish public and private laws are divided into various areas, including as follow:

• Civil Law;

• Commercial Law;

• Administrative Law;

• Constitutional Law;

• Private International Law;

• Tax Laws;

• Criminal Law;

• Family Law;

• Labour Law;

• Water Law;

• Copyright Law; and,

• Media Law.

The new Polish Law is published in “Dziennik Ustaw” and “Monitor Polski”.
Accounting

Accounting Requirements

The accounting law prescribes that the Management Board is responsible for the correctness and clarity of the accounting books and records and for the preparation of financial statements covering all important issues regarding all information essential for evaluating the financial position of the Company.

The annual financial statements must:

- Consist of a balance sheet, profit and loss statement, statement of changes in equity, a cash flow statement and notes to the financial statements, including an introduction to the financial statements, as well as additional information and commentaries;
- Be prepared no later than 3 months after the end of the financial year;
- Be approved by the shareholders at the company’s General Meeting no later than 6 months after the end of the financial year;
- Be sent to the Tax Office and filed with the Krajowy Rejestr Sądowy (National Court Register) no later than 2 weeks after the approval at the General Meeting;
- Be published in the Commercial Bulletin (Monitor Polski B).

The requirements, the form of the financial statements and the evaluation methods are set out in the Accounting Law (from 7 May 2009 on Accounting Jour. No. 77 from 2009, entry 649 as amended), which follow the IAS and IFRS standards.

For the listed companies the annual report must comply with the Stock Exchange Regulations and its deadlines, which are different to those requirements mentioned above (see below). Small and medium sized companies may be exempt from some of the disclosures and may outsource their accounting to one of the numerous small bookkeeping offices.

Audit Requirements

A statutory audit is required for all joint stock companies and entities whose figures in the previous financial year exceed two out of the following three minimal thresholds:

- Annual average number of employees (full-time posts) of 50 (persons);
- Assets at the end of the financial year exceeding EUR 2.5 million (PLN equivalent);
• Net sale of goods and products and financial income in the previous financial year of minimally the PLN equivalent of 5 million EUR.

An independent auditor has to be appointed by the shareholders at a General Meeting, or by the Supervisory Board if so directed at the General Meeting. From 1 January 2009, a statutory audit is also required for all subordinated companies preparing financial statement according to IFRS, despite of the figures mentioned above and the legal form. The deadline for issuing an auditor’s report and an annual report by a company listed on the Warsaw Stock Exchange has recently been shortened to the 30 April.

Protection of intellectual and industrial property

Copyright

Copyright is protected in Poland by the Law of Copyright and Related Rights 1994. The Copyright Law is concerned with an author’s “composition” which is defined as a sign of the author’s activity showing his or her individual character, settled in any kind of form, regardless of the value, purpose or the way of the expression. In particular, ‘compositions’ may be any of the following:

- Expressed in words, mathematical symbols, graphical signs (literary, journalistic, since, cartographical and computer programs);

- Art;

- Photographical;

- Violin/guitar;

- Industrial design;

- Architectural, architecturally – urbanistic and urbanistic;

- Musical and word-musical;

- Scenic, theatrical-musical, choreographic and pantomime;

- Audio-visual (including film).

A composition is protected under the law and can include discoveries, ideas, procedures, methods and principles of operation and mathematical concepts. The composition is subject to protection from the moment of establishment, even though it may be in an unfinished form at this time. The protection applies independently from the completion of any formal requirements.
A copyright can be transferred to another person by heredity or by a contract. Consequently, an acquirer of a copyright can transfer it to another person and so on. The Law of Copyright and Related Rights provides special regulations with the reference to:

- The protection of the personal author’s copyright;
- The protection of an author’s property rights;
- The protection of audio-visual rights;
- Computer programs;
- The protection of an author’s image;
- The protection of correspondence and confidential information.

The organisation of collective management copyrights is also included within the Law of Copyright and Related Rights.

**Industrial property rights**

Industrial property rights are protected under the Law of Industrial Property Rights 2000. This Law regulates:

1. The rights attaching to inventions, utility models, industrial designs, trademarks, geographical indications and topographies of integrated circuits;

2. The principles on which entities may accept rationalisation proposals and remunerate creators; and,

3. The responsibilities and organisation of the Patent Office of the Republic of Poland (‘the Patent Office’).

**Patents**

Patents are granted, regardless of the field of technology, for any new invention that involves an inventive step and which is susceptible to an industrial application (article 24).

A patent confers the exclusive right to exploit the invention, for profit or for professional purposes, throughout the territory of the Republic of Poland.

The scope of the protection sought is determined by the claims contained in the patent specification. The patent specification and drawings may be used to interpret the claims. The term of a patent is 20 years commencing from the filing date of the patent application with the Patent Office (article 63).

A patent holder may mark products with an appropriate sign to indicate that his invention enjoys patent protection.
Utility models

Any new and useful solution of a technical nature affecting the shape, construction or durable assembly of an object shall constitute a utility model. A utility model shall be considered a useful solution if by means of that solution a practical effect is attainable, expedient in the process of manufacturing or exploitation of the product.

Industrial design

Any design which has the individual characteristics or appearance of a new product (or part of a new product) with reference to features such as the lines, colours, shape, texture or materials of the product and its ornamentation, shall constitute an industrial design.

Any industrial or handicraft item, including, in particular, packaging, get-up, graphic symbols and typographic typefaces, but excluding computer programs, shall be considered to be a product. The following are also considered to be products:

1. A product which is composed of multiple components, which can be replaced permitting disassembly and reassembly of the product (complex product);

2. A component part, if, once incorporated into the complex product, it remains visible during normal use of the latter, the use being understood as excluding maintenance, servicing or repair work;

3. A component part, if it itself may be the subject of commercialisation.

Where a design is applied to, or incorporated in, a product which constitutes a component part of a complex product, an assessment of its novelty and its individual character will only be made in consideration of its visible features.

Trademarks

Any sign capable of being represented graphically may be considered as a trademark, provided that it is capable of distinguishing the goods of one undertaking from those of other undertakings.

In particular, trademarks may consist of words, designs, ornaments, colour combinations, three-dimensional shapes (of goods or their packaging), as well as melodies or other acoustic signals. References in the Law to trademarks also include service marks.

- Goods shall mean, in particular, industrial or handicraft goods, agriculture products or natural products, such as, in particular, water, minerals, raw materials, as well as, subject to Article 174(3), services;

- Counterfeit trademarks refer to identical trademarks illegally used or trademarks which in the course of trade cannot be distinguished from the trademarks registered for the goods covered by the right of protection;
Earlier trademarks refer to the trademarks applied for registration or registered basing on the earlier priority.

Geographical indications

Under the law, a geographical identification refers to any item (good / material / product) which is associated, linked or referenced to a place, locality, region or country (territory), either explicitly or implicitly, and in so doing, the item is identified as originating from that area, where a given quality, reputation or other characteristic of the item is essentially attributable.

A foreign geographical indication may only be granted protection in Poland, if it enjoys protection in the country of its origin.
Any reference in this part to item (good / material / product) shall not mean services.

Topographies of integrated circuits

Any solution consisting of a three-dimensional arrangement of the elements, however expressed, at least one of which is an active element, and of all or some interconnections in an integrated circuit, shall be considered as the topography of an integrated circuit (a “topography”).

An integrated circuit shall mean any three-dimensional product having one or more layers, composed of elements of a semiconducting material forming a continuous layer, and of conducting interconnections and insulating spaces, inseparably interconnected, and intended to perform electronic functions.
Taxation

Overview of taxes

Since the early 1990s, the Polish tax system has been gradually reformed with the aim of encouraging investment in Poland and creating employment. The tax system reforms have also been supported by the process of adapting and harmonizing Polish law with EU law.

Personal Income Tax

Taxpayers

As a general rule, natural persons in Poland are subject to income tax calculated in accordance with a progressive tax scale with income thresholds of 18% and 32%. There are however exceptions, as under certain conditions, natural persons conducting business can be subject to a flat 19% tax rate.

Taxation of Partnerships

With respect to the provisions of the Personal Income Tax Act (PIT Act) and Corporate Income Tax Act (CIT Act) a registered partnership, a professional partnership, and a limited partnership are not subject to income taxation. With reference to the CIT Act, the gains derived from the participation in the partnership are combined with the income derived by each partner with respect to his share in the partnership capital. The above rule shall also apply to the calculation of the costs incurred by the partnership. Please note that partnerships are fiscally transparent entities.

From 1 January 2014 a limited joint-stock partnership is taxed in accordance with the CIT Act.

Residence of individuals

Polish resident taxpayers are subject to tax on their worldwide income, subject to double tax treaties. Non-residents are taxed only on the income derived from work performed within the territory of Poland.

A Polish resident taxpayer is a natural person who has their place of residence within the territory of Poland i.e. stay on the territory of Poland longer than 183 days during a tax year or have a centre of personal or economic interests on the territory of Poland (centre of vital interests).

Source of income

According to the Polish PIT law all kinds of income, except income enumerated in the PIT law and exempted from tax on the basis of separate regulations (double tax treaties), are taxed in Poland at progressive tax rates.

The new standard tax brackets for 2016 are as follows:
**Tax base**

<table>
<thead>
<tr>
<th>Tax base</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to PLN 85,528</td>
<td>18% minus reducing amount of PLN 556.02</td>
</tr>
<tr>
<td>Over PLN 85,528</td>
<td>PLN 14,839.02 + 32% of surplus over PLN 85,528</td>
</tr>
</tbody>
</table>

When calculating the income, the tax-free amount is taken into account (in 2016; PLN 3,091).

<table>
<thead>
<tr>
<th>Tax deduction in PLN</th>
<th>Monthly</th>
<th>46.33</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual</td>
<td>556.02</td>
</tr>
<tr>
<td>The annual income of non-payment of tax in PLN</td>
<td>3,091</td>
<td></td>
</tr>
</tbody>
</table>

Personal income tax is reduced if, in the financial year, a taxpayer incurs expenditure as specified in the law, within the proper limits.

The tax year in Poland is the calendar year. Payers of the income tax referred to in the PIT Act are obliged to calculate and collect tax payments in advance, within the year, and transfer them to the bank account of the relevant tax office by the 20th of a month following the month where the tax advance payment was collected.

Taxpayers are obliged to file tax returns (at their respective tax office) indicating the amount of income earned (or loss incurred) in the financial year, according to the established tax declaration template, by 30 April of the following year. The submission of a tax return has to be accompanied by a payment amounting to the difference between the income tax due, as calculated in the tax return, and the advance payments. The tax liability shown in a respective tax return may be accepted by the tax authority or, if further tax is believed liable, an assessment is issued.

Polish tax residents who are married may be taxed jointly with their spouse, if certain conditions are met. Joint filing may be available for Polish tax non-residents who are tax resident elsewhere in the EU, the EEA or in Switzerland, if certain conditions are met.

Individuals who inherit or receive assets located in Poland or property rights executed in Poland are, in general, subject to inheritance tax or a tax on gifts. Immovable property and other assets located overseas are also taxable if the acquirer is a Polish citizen or has a permanent residence in Poland at the time of the inheritance or execution of the donation contract. Gifts and inheritances of property located in Poland are exempt if both parties are neither Polish citizens nor persons domiciled in Poland. The tax rates are progressive and range from 3% to 20% and depend on the recipient’s relationship to the donor or the deceased person and the value of the property received.

**Pay-roll taxes**

Under the PIT Act, an employee is a person under an employment contract, is employed under a contract or there is a cooperation relationship.
Income from a revenue service relationship, an employment relationship, or work under a cooperative working relationship is considered to be any kind of payment in cash and/or the monetary value of benefits in kind or cash equivalents, regardless of whether paid in cash or in kind. In particular, such payments and benefits include; salaries, remuneration for overtime (hours), various allowances, rewards, bonuses and other compensation from employment exercised in Poland.

**Corporate Taxation**

**Taxpayers, Taxation of commercial companies**

Under the Corporate Income tax Act (CIT) taxable legal entities are commercial companies (a limited liability company, joint stock company and limited joint-stock partnership) and organisational units without a legal personality, such as cooperatives. Partnerships are generally not subject to corporate income tax.

**Residence and source**

Polish resident companies are subject to corporate income tax on all sources of their worldwide income, while non-residents are subject to corporate income tax only on income derived from the territory of Poland. A company is deemed resident in Poland if it has its seat or Management Board in Poland i.e. a place where the Management Board, or equivalent, meets and takes decisions.

**Branch of foreign company**

A foreign entity which runs its business in Poland through a branch is obliged to register for a tax registration and obtain a tax identification number (NIP). The books of the branch should be kept according to Polish Accounting Act.

A foreign branch is taxable in Poland only on income generated by it (limited tax liability), subject to any special rules that apply by way of an applicable double tax treaty.

**Representation offices**

Due to the restrictive scope of activities, a representation office is not subject to corporate income tax in Poland.

**Tax rate**

The standard corporate tax rate is 19%.

**Tax payment**

In general, the tax year for corporate taxpayers is the calendar year. Taxpayers are obliged to submit their tax return to the fiscal office within three months from the end of the tax year. Taxpayers are obliged to pay tax monthly in advance, no later than the 20th of each month, based on the current year’s income. There are no
monthly tax return filing obligations.

Taxpayers can also make monthly advance payments based on other specific rules if they meet certain conditions.

**Determination of taxable income**

Corporate entities are subject to corporate income tax on the net profit shown on their annual Balance Sheet, computed in accordance with the statutory accounting and bookkeeping rules and after adjusting for deductions and additions provided under the tax law. Generally, expenses incurred for the production of income are allowed as deductions.

**Depreciation**

Current rates of tax deductible depreciation range from 1.5% to 30% depending on the type of asset. As a general rule, the straight line method must be applied, although applying a reducing method under some conditions is possible. The value of assets may be revalued at the beginning of a tax year with the agreement of the Minister of Finance. Land is not depreciated.

Intangible assets subject to amortization:

- Statutorily defined rights to use real estates;
- Statutorily defined research and development costs;
- Intellectual property rights and licenses;
- Industrial property rights;
- Know-how (to a certain limit);
- Goodwill, if it was created as a result of the acquisition of the enterprise or its organized part.

**Inventory**

Stock in trade, or inventory, is valued at its historic cost price or market value. The cost of inventory may be calculated at a standard cost, at a weighted average cost, or on the LIFO or FIFO basis, as long as the method selected is used consistently.

**Dividends**

Dividends received from resident companies are taxed separately at a rate of 19%. The tax is withheld by the distributing company and can be credited against the corporate income tax due from the resident recipient company. Dividends may be distributed only from net profits of the company. The amount allocated for the
distribution among shareholders cannot be deducted from the taxable base.

**Interest deductions**

Interest is deductible on an accrual basis. For interest from credits and loans from related parties, then capitalization rules apply (3:1 equity ratio).

**Costs**

Costs incurred for the purpose of earning revenue are generally tax deductible at the time the revenue is earned provided that appropriate apportionment is made; otherwise, costs are deductible in the tax year in which they are incurred. Most costs are tax deductible unless they are of a capital nature or a special treatment applies under the law.

**Losses**

Losses from a given tax year can be offset against taxable income in the five subsequent tax years. The amount deducted in any one year cannot exceed 50% of the loss, therefore, it takes a minimum of two years to fully utilise tax losses carried forward.

**Foreign sourced income**

Foreign sourced income derived by residents which is exempt under a relevant Double Tax Agreement, will be exempt from Polish corporate income tax (about 80% of treaties provide for this exemption). Otherwise, all worldwide income is subject to CIT tax in Poland at the standard rate of 19% (2016).

**Incentives**

Polish law provides for corporate income tax incentives, such as Special Economic Zones (SEZs). In principle, companies operating within special economic zones may enjoy tax holidays, which involve a tax exemption from corporate income tax within certain time limits.

There are now 14 such zones in Poland: Mielecka, Katowicka, Suwalska, Legnicka, Wałbrzyska, Łódzka, Kostrzyńsko-Słubicka, Słupska, Tarnobrzeska, Warmińsko-Mazurska, Starachowicka, Kamiennogórska, Pomorska and Krakowska (Krakow Technology Park).

Performing a business activity within a SEZ requires a special permit issued by the Minister of Economy or the SEZ authorities. To benefit from the tax exemption, regulations applicable to a particular SEZ may specify a minimum investment value and/or a certain number of people that must be employed.

**Foreign tax relief**

Foreign sourced income received by a resident company is included in its taxable base unless otherwise provided
by the double tax treaty. Taxes paid abroad may be credited against the tax due. However, the amount of tax credited may not exceed the amount of domestic tax that would have been due on the income derived abroad, had it been derived in Poland.

**Corporate groups**

In accordance with the Corporate Income Tax Act, it is possible to establish a “tax capital group”. Under such provisions, the income of the group as the whole may be taxed by combining the total revenues, and deducting all applicable costs, of the relevant companies included in the “tax capital group”.

Such a group can be established only by joint stock companies and limited liabilities companies. The parent company must own at least 95% of the equity of each of the dependent companies. There are also other conditions which must be satisfied to establish the “tax capital group”, such as (in particular):

- An average capital of all companies not lower then PLN 1 million;
- Capital group agreement’s period - minimum 3 years;
- Registration of the agreement in tax office;
- Those subsidiaries (subsidiary) must not hold shares in the capital of other companies forming a group;
- The companies forming a group must not enjoy any CIT exemptions based on laws other than the CIT Law;
- No outstanding tax liabilities should exist to the State Budget;
- Profitability ratio of the group should be no lower than 3% for each year;
- All of the companies forming the group must be registered in Poland.

**Repatriation of Profits and Transfer Pricing (Related party transactions)**

Related party transactions can be adjusted by the tax office to reflect the market value of goods and services provided. Under the CIT Act, taxpayers having transactions with entities affiliated with them (as defined by Article 11 sec. 1 and 4 of the Act) are obliged to prepare tax documentation for these transactions. This obligation includes transactions between a foreign entity and its branch in Poland and a Polish entity and its foreign branch.

The obligation to prepare transfer pricing documentation also includes entities which do not have legal capacity (i.e. partnerships: general partnerships, limited partnerships and limited liability partnerships), and those who are entering into joint venture arrangements or contracts of similar nature.

Transfer pricing documentation has to be prepared if the total contractual amount (or its equivalent) of the transaction or transactions between the related parties paid in tax year, for performances enforceable in the tax
year, is higher than the equivalent of:

1. EUR 100,000 if the value of transaction does not exceed 20 per cent of the initial capital;

2. EUR 30,000 in the case of performance of services, sale or making available intangible assets and legal values; or,

3. EUR 50,000 in the remaining cases.

The obligation to prepare transfer pricing documentation also applies to a transaction which is made directly or indirectly for the benefit of a party having a place of residence, seat or board of management within a territory, or in a country, admitting detrimental tax competition i.e. if the total amount (or its equivalent) resulting from the contract, or the total amount actually paid in a tax year, of performances enforceable in the tax year is higher than the equivalent of EUR 20,000.

This transfer pricing requirements will change from 2017.

Transfer pricing documentation has to be submitted if requested from the fiscal authorities, or fiscal control authorities, within 7 days from the request.

Where the Tax Offices questions the market values used by an entity for its transfer prices, and these are not support with transfer pricing documentation, the difference is taxed at a 50% CIT rate (sanction rate).

To provide some certainty it is possible to enter into an Advanced Pricing Agreement (APA) with the Ministry of Finance. This will provide an agreed range of values for the transfer pricing that will be acceptable to the tax authority and which will cover both domestic and international transactions.

**Withholding taxes**

Broadly, withholding tax is deducted at a rate of 19% on dividends and at a rate of 20% on royalty and interest payments which are paid to non-residents, unless an appropriate double tax treaty provides otherwise.

However, where a taxpayer has limited tax liability in Poland, a total exemption from corporate income tax on dividends and other profit distribution revenues from legal persons having their seat in Poland has been introduced. In order to benefit from this regulation, the following conditions must be met:

1. The shareholders who receive the above-mentioned income must be subject to corporate income tax in an EU member country, imposed on their total worldwide income; and,

2. The revenues received must derive from a participation in the profits of legal person, in whose capital the recipient company possess directly at least 10% (from 1 January 2009) of the shares which have been held continuously in the period and for at least two years.

A receiver of income from dividends and other revenues from sharing in profits of legal persons can be:
A company stated in point 1;

A branch of a company stated in point 2 located outside of Poland if such income is taxable in an EU country, where the branch is located.

From 1 June 2013 the total withholding tax exemption will also refer to the interest and royalties transferred to the related companies from the EU (in the transition period the interest and royalties will be taxed as follows: from 1 July 2005 - 10%; from 1 July 2009 – till 30 June 2013 - 5%).

**Capital Gains Tax**

Capital gains arising from the disposal of fixed business assets are aggregated with income from other sources and subject to corporate income tax at the standard CIT rate (19% in 2016). Gains derived from the sale of shares also are subject to a rate of 19% and taxed separately.

**International tax agreements**

Poland has entered into many agreements regarding the avoidance of the double taxation. The double taxation agreements (DTA’s) are modelled on the OECD Model Convention with respect to taxes on income and capital and currently DTA’s with the following countries are in force (also see the table on ‘Treaty and non-treaty withholding tax rates’ below):

Albania, Algeria, Saudi Arabia, Armenia, Australia, Austria, Azerbaijan, Bangladesh, Belarus, Belgium, Bosnia and Herzegovina (the agreement with Yugoslavia), Bulgaria, Chile, China, Croatia, Cyprus, Montenegro (the agreement with Yugoslavia), Czech Republic, Denmark, Egypt, Estonia, Philippines, Finland, France, Greece, Georgia, Spain, Holland, India, Indonesia, Iran, Ireland, Iceland, Israel, Japan, Jordan, Canada, Qatar, Kazakhstan, Kyrgyzstan, South Korea, Kuwait, Lebanon, Lithuania, Latvia, Luxembourg, Macedonia, Malaysia, Malta, Morocco, Mexico, Moldova, Mongolia, Germany, Netherlands, Nigeria, Norway, New Zealand, Pakistan, Portugal, Republic of South. African, Russia, Romania, Serbia (contract with Yugoslavia), Singapore, Slovak Republic, Slovenia, Sri Lanka, United States, Syria, Sweden, Switzerland, Tajikistan, Thailand, Tunisia, Turkey, Ukraine, Uruguay, Uzbekistan, Hungary, United Kingdom, Vietnam, Italy, Zambia, U.S. Pat. Arab Emirates, Zimbabwe.

**Value Added Tax (Vat) and Customs Duties**

As a result of Poland’s accession to the European Union, the Polish VAT Act has changed in line with the regulations of the VI Directive and other EU Directives related to VAT.

Under the Polish VAT regulations, VAT applies to the following transactions:

- Supply of goods and services made in Poland for consideration;
- Exportation of goods outside the EU;
Importation of goods from outside the EU;

Intra-Community acquisition of goods effected for consideration in Poland, inclusive of the movement of goods between different Member States within the same business;

Intra-Community supply of goods inclusive of the movement of goods between different Member States within the same business.

The supply of most goods and services performed by the above are exempted from the VAT if, in the preceding tax year, the turnover did not exceed PLN 150,000. Operations involving the sale of a business or parts of an organisation are beyond the scope of VAT.

VAT payers that have no registered seat in Poland nor a fixed place of business or a place of residence are obliged to appoint a fiscal representative. The fiscal representative is jointly liable with the business it represents for all Polish VAT liabilities. In general, a tax obligation arises at the moment of giving, handing over, exchanging a commodity, making a gift or rendering a service. However, there are many exceptions to this rule.

VAT is charged at the standard tax rate of 23% on the supply of most goods and services performed in Polish territory by legal persons, organisational entities with no legal status and natural persons. Reduced rates apply of 8%, 5% and of 0% (exemption with credit according to the European VAT nomenclature):

- 8% VAT rate is applicable to health care related goods and hotel services;
- 5% VAT rate is applicable to basic food’s products;
- 0% supplies include exports of goods outside the European Union and intra - Community supplies of goods. Exempt are, e.g. supplies of financial or health care services.

In addition, there are a number of exemptions from VAT e.g. education services (with exceptions), health care services, supplies of financial (with exceptions). In general, VAT taxpayers are obliged to settle VAT tax on a monthly basis on or before the 25th of the month following the month where the tax obligation arose. Taxpayers deduct input VAT from output VAT to the extent to which the goods and services are used for activities which are subject to VAT and remit the net output to the tax authorities.

Branch of foreign company

A branch of a foreign company conducting business in Poland should register for VAT. Transactions between the foreign company and its branch in Poland are not subject to VAT.

Representation office

A representation office in Poland is not obliged to register for VAT purposes. The activity of the representation office is not taxable
for VAT purposes.

**Customs Duty**

Upon accession to the European Union (on 1 May 2004) Poland also became part of the Customs Union. From this date all applicable domestic rules have been replaced by the relevant EU community regulations:

- Community Customs Code;
- Community Customs Tariff;
- Implementing provisions.

Only technical and procedural aspects are regulated by Polish law. Following the accession to the Common Customs Tariff, the overall level of rates has been significantly reduced. Information on tariff rates, quotas or other preferences are published in the Official Journal of the European Union. Current duty rates can be found in the internet tariffs browser TARIC or ISZTAR.

**Stamp Duty**

Also known as the Stamp Duty Fee Stamp, it applies to activities which are performed by government officials for individuals e.g. the issue of certificates, permits and of certain documents. Stamp Duty is payable on:

a) In individual cases of public administration:

- Review of official acts on the basis of an application or at the request of the interested parties;
- Issue of a certificate at the request of the interested parties;
- Authorization (licenses);
- Submission of proof of the granting of a mandate or proxy or its copy, extract or copy - in the administration of public or legal proceedings.

b) In matters of official:

- For carrying out official acts, the issue of certificates and permits (licenses) by an entity other than the authority of government, in connection with the performance of the tasks of public administration;
- For filing undertakings stated in documents, certifying and authorising originals, extracts or copies.
Taxation on property and land

Property owners are liable to pay an annual tax. Taxes apply to three general types of properties in Poland: real estate, agriculture, and forestry properties. The maximum rates are established in the Polish regulations, but it is the local authority which sets the binding rates. The maximum rates for 2016 are presented below:

<table>
<thead>
<tr>
<th>Property qualification</th>
<th>Tax per sq. meter (PLN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land used in business</td>
<td>0.90</td>
</tr>
<tr>
<td>Other land</td>
<td>0.47</td>
</tr>
<tr>
<td>Dwellings</td>
<td>0.75</td>
</tr>
<tr>
<td>Buildings used in business</td>
<td>23.13</td>
</tr>
<tr>
<td>Other buildings</td>
<td>7.77</td>
</tr>
<tr>
<td>Constructions</td>
<td>2% of value</td>
</tr>
</tbody>
</table>

Property tax returns should be filed each year and any tax due should be settled in 12 equal monthly instalments.

Treaty and non-treaty withholding tax rates

Treaty and non-treaty withholding tax rates in respect of dividends, interest and royalties are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Dividends¹ (%)</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-treaty countries:</td>
<td>19</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Treaty countries:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albania</td>
<td>5/10</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Armenia</td>
<td>10</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Australia</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Austria</td>
<td>5/15</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>15/10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Belarus</td>
<td>10/15</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Belgium</td>
<td>5/15</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>15/5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>10</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Canada</td>
<td>5/5/15</td>
<td>10</td>
<td>5/10</td>
</tr>
<tr>
<td>Chile</td>
<td>15/5</td>
<td>15</td>
<td>5/15</td>
</tr>
<tr>
<td>China</td>
<td>10</td>
<td>10</td>
<td>7/10</td>
</tr>
<tr>
<td>Croatia</td>
<td>5/15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Country</td>
<td>Dividends (%)</td>
<td>Interest (%)</td>
<td>Royalties (%)</td>
</tr>
<tr>
<td>------------------</td>
<td>---------------</td>
<td>--------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Cyprus</td>
<td>0/5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>5</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Denmark</td>
<td>0/5/15</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Egypt</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Estonia</td>
<td>5/15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Finland</td>
<td>5/15</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>France</td>
<td>5/15</td>
<td>0</td>
<td>5/10</td>
</tr>
<tr>
<td>Georgia</td>
<td>10</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Germany</td>
<td>5/15</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Greece</td>
<td>19³</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Hungary</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Iceland</td>
<td>15/5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>India</td>
<td>15</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Indonesia</td>
<td>10/15</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Iran</td>
<td>7</td>
<td>10</td>
<td>10</td>
</tr>
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NOTES:

1 Different treaty rates may apply depending on whether the dividend is received by a company or individual, or
the percentage interest in the Polish company held by the recipient of the dividend. It is important to consult the relevant treaty for further details.

2. The domestic rate applies.

3. The domestic rate applies, apart from where the dividend is received by a company holding at least one-third of the capital of the Polish company.

4. Domestic rate applies to royalties for the use of, or the right to use cinematograph films, or works recorded on tapes for television or broadcasting.

**Legal and tax implications of a place of business, branch or Polish company:**

**Place of business in Poland**

**Operating a branch or as an agent in Poland**

Entities which do not have a place of residence or permanent establishment in the territory of Poland are taxed only on the income derived from work performed within the territory of Poland. Under such circumstances the entity will be resident overseas but carrying on an economic activity in Poland and, in general, will have tax obligations in the country of residence.

An overseas entity has a residence in Poland if it operates, in whole or in part, within the territory of Poland through a branch, agency, office, industrial plant, workshop, mine, source of oil or gas, quarry or any other extraction place. In the case of a construction site, building or installation works they have resident status if they last longer than 12 months. An overseas company may also be resident (and taxable) in Poland if, on behalf and for the benefit of the overseas company (non-Polish tax resident), a person holds and exercises a power of attorney in Poland to enter into agreements on the overseas company’s behalf.

Agencies aren’t considered as companies if they only undertake purchasing, storing or handing of goods belonging to the foreign company. Also agencies aren’t considered as companies if they are maintained for giving or collecting information, carrying out scientific studies or undertaking marketing objectives. An overseas company doesn’t have an agency in the territory of Poland if activities are carried out with a stockbroker, general consignee or any other independent representative.

**Economy activity through a Polish company - CIT**

A company carrying out an economic activity in Poland is considered to be tax resident in Poland if it’s management or registered office is in Poland. Where a company is taxable in Poland it will be required to register for income tax and keep books of accounts in accordance with the Accounting Act (optionally tax register of revenues and expenses).

Tax is levied on the net taxable profit, which is arrived at by deducting tax allowable expenses and allowance from taxable income, at a rate of 19%. Tax losses can be carried forward and off set against subsequent taxable profits arising for 5 years only, however, in one year the level of deduction (off set) cannot exceed 50% of the loss.

Expenses are generally deductible on the date they are incurred, however, in the case of the acquisition of fixed assets and intangible assets, a tax deduction is obtained through tax amortization (according to proper rates for each components).
With respect to a partnership, in contrast to capital companies, income tax isn't settled by the company, but by each of the partners (according to their shares in profits).

**Economy activity through a Polish company - VAT**

Generally, companies carrying out an economic activity in Poland must register for Valued Added Tax (VAT) with the exception of companies providing education services, those connected with preventive health care, those connected with culture etc., and entities which have an annual turnover not exceeding PLN 150,000.

VAT is generally settled monthly, although in certain instances this can be quarterly. The standard VAT rate is 23% (base rate). Other rates are 8%, 5% or 0%.

**Selling into Poland**

**Direct selling from abroad**

**Legal and contractual issues**

A sales agreement is regulated by the provisions of the Civil Code Act (from Article 535 to Article 602). Determination of the parties to an agreement, price and sales are subject to the obligatory elements of a sales agreement.

In case of a sale of subjects other than real estate, Polish regulations do not specify detailed requirements with respect to the form of an agreement. However from a practical point of view, agreements concluded between entrepreneurs should be concluded in a written form, because it facilitates evidential situation in case of doubts concerning terms and conditions of delivery, price or the transition of responsibility for goods.

In case of concluding sales agreements with consumers, which involve instalment plans, advance payments as well as sales agreements against orders, sales agreements according to a pattern or sales agreements for trial, and in case of a sale at a price of more than two thousand zlotys, the seller is obliged to confirm in writing all relevant provisions of the concluded agreement.

In relations between entrepreneurs the agreement is concluded as a result of a unanimous declaration of will of both parties. In practice the conclusion of an agreement is usually preceded by an exchange of offers, letters of intent, or often even by a tender. It is important that in general an offer is an initial element of negotiations and it does not lead to a situation where the parties are bound by an agreement but they are only bound by the content of an offer. In particular, an offer may be cancelled before the conclusion of an agreement, if the statement of cancellation has been submitted to the other party before the submitting party sent their statement on offer acceptance.

The exceptions include cases of permanent cooperation between entrepreneurs where if one entrepreneur received an offer to conclude an agreement within their business activity from the other entrepreneur with whom he remains in permanent business relations, lack of immediate answer is understood as acceptance of the offer.

**Tax issues**

The sale directly from abroad into the territory of the country will take place in case of sale from the territory of another EU member state as well as from outside the EU. If the transaction is made between entities which are registered as VAT taxpayers on the territory of two different EU member states, then this act is treated as an intra-Community delivery / purchase of goods.
From the point of view of an entity which sells directly into the territory of Poland in the framework of intra-Community transaction, there will not be any obligation to pay taxes in Poland, thus no obligation to register for tax purposes, since this tax (that is value added tax) will be paid by the purchaser in the framework of reverse charge mechanism rule. Similar results exist in case of direct sale to Poland from a country from outside the EU. In such a case, a purchaser of goods is obliged to pay customs and tax amounts due connected with the import of goods, thus the seller has no other registration or settlement obligations in Poland.

The above rules, however, do not apply to cases where the seller himself imports goods onto the territory of the country and only then sells them in this country. In such a case he will remain responsible for the payment of customs amount due on the import of goods or for the payment of taxes on the transfer of goods from another EU member country to this country. At the same time the fact of sale in the country (as an action following the import of goods to Poland), in general will create an obligation of paying in Poland a revenue tax as well as value-added tax.

A direct sale on the territory of the country from the territory of another country may also involve service transactions. In such a case there is the so-called import of services into the country and those services are in general taxed in Poland (in the country of consumption).

In cases where services are rendered for the benefit of entities registered in Poland as VAT-taxpayers, then the entity rendering services (seller) has no obligation to register for VAT purposes, and this tax in the framework of reverse charge mechanism is paid by the purchaser. However if the receiver of the service is an entity which is not registered for VAT purposes, then in general the seller will be obligated to registration and to the payment of value-added tax in Poland (this obligation will be abolished starting from 2010).

At the same time, selling services directly on the territory of the country, depending on the type of services, creates an obligation of the so-called withholding tax. In the framework of this obligation an entity paying for the service bought from abroad (for example intangible services, such as consultancy, accountancy, marketing etc) is obligated to deduct a withholding tax. In general the amount of this tax is established on the basis of a relevant agreement on avoidance of double taxation.

**Selling into Poland through a Poland based agent**

**Legal issues**

A foreign entrepreneur may sell into Poland through a branch or an agent – independent representative.

**Foreign company branch**

In order to carry out economic activity on the territory of the Republic of Poland, foreign entrepreneurs may, on the basis of mutuality, establish branches with their registered offices in the Republic of Poland, unless ratified international agreements state otherwise. A foreign entrepreneur who establishes a branch may carry out his business activity only within the scope of activity of the foreign company, which means that the scope of activity of a foreign entrepreneur in Poland is limited to the scope of his activity in the country of its registered office. The start of activities by the branch requires an entry to the National Court Register. The sale of goods performed through a branch will be performed based on the same rules as the sale by an entrepreneur with the registered office in Poland, and revenue obtained on running the activity through a branch will be in general taxed based on the rules relevant for a unit.
Agent

According to the Polish law, an agency agreement is an agreement on the provision of services which obliges the agent, within the activity of his company, to continuously act as an agent during the conclusion of agreements with clients for the benefit of the mandator, for a consideration, or to conclude these agreements on the mandator’s behalf. Thus the activity of an agent may either be in the form of a dependent agent, that is an agent who concludes agreements on the mandator’s behalf or an independent agent, that is an agent who is an intermediary during the conclusion of agreements for the mandator’s benefit.

Representation office

According to the Polish law, foreign entrepreneurs may establish commercial branches in Poland. The scope of activity of a branch may include only the activity concerning advertisement and promotion of the foreign entrepreneur. Thus a branch does not deal with sale in Poland, because the branch does not run a business activity in Poland.

Distributor

It is an entity which purchases goods from an entrepreneur and then sells them on his own behalf within his economic activity. In such a case, from the legal point of view there are transactions concluded between two independent entities performing independent commercial transactions.

Tax issues

Sale through an agent

Tax consequences of direct sale to Poland from another country through an agent will depend on the nature of the agent, and in particular on whether the agent carries out only services consisting in looking for clients, the organisation and accepting of orders etc. or whether he will buy and sell goods to the end-user and whether the agent will be an independent entity or a singled out organisational unit of the seller (branch etc.).

If the agent is an entity independent from the seller, then in principle the seller will not have any tax obligations in the country. In such a case, agent will have the obligation to pay taxes on the purchase of goods in the country (if he buys and resells them to end-users) or to pay taxes on account of agency services. However, if the agent provides only services, as it was described in earlier paragraph, it is important who will import the goods into the country, thus who will be responsible for the payment of import amounts due or tax on account of intra-Community transactions (see direct sale to Poland).

Other tax consequences will follow when agency activity will be performed in Poland through a singled-out organizational unit of the seller, for example through a branch.

In such a case the activity may be treated as a unit in the meaning of the agreement on avoidance of double taxation and in consequence profits made by this agent would be taxed in Poland, which means that there would be an obligation to register for the purposes of income tax as well as value-added tax.

According to the Model Convention on income and property tax, if an entity acts on behalf of a company as well as possesses and customarily uses an authorisation to conclude agreements on the company’s behalf, then it is presumed that the company has its unit in the country where this agent is active (see Article 5 of the Convention).
Sale through a distributor

Tax consequences described above will concern in majority also a sale through a distributor, with a provision that a distributor usually is an entity independent from the seller, thus the distributor’s activity will not be considered as a unit in the meaning of the Convention. Thus in principle a sale to a distributor will not create any obligation for the seller to pay taxes in Poland.

However it should be remembered that in a situation where an entity functioning as an agent or a distributor is a party related to the seller, then these transactions are governed by strict regulations of transfer prices (described earlier).

Selling to Poland through e-commerce

Legal issues

In case of e-commerce sale in principle the same rules are applicable for regular sale, taking into account the following differences in particular. An offer made in an electronic form is binding for the offering party, if the other party immediately confirms its reception. An entrepreneur who is making an electronic offer is obliged to inform the other party before concluding the agreement explicitly and clearly about:

1) Technical activities involved connected with the procedure of concluding an agreement;
2) Legal consequences of confirming by the other party the reception of the offer;
3) Rules and methods of recording, protecting and making the content of the concluded agreement available by an entrepreneur to the other party;
4) Methods and technical measures used to detect and correct errors in data entered, which he is obligated to make available to the other party;
5) Languages in which an agreement may be concluded;
6) Codes of ethics which he applies as well as their availability in an electronic form.

In case of a sale conducted for consumers, a consumer who concluded an agreement via the Internet, may withdraw from it without giving any reasons but only by giving an appropriate written statement within ten days from the date of concluding the agreement. In order to meet this deadline, it is sufficient to send the statement before the deadline. A reservation that the consumer may withdraw from the agreement after payment of a fixed amount (compensation) is not allowable. In case of withdrawal from an agreement, the agreement is considered not concluded, and the consumer is released from all obligations. What has been provided by the parties should be returned unchanged. The return should be done immediately, not later than within fourteen days. If the consumer made any advance payments, statutory interest is due on them from the date of making the payment.

Tax issues

E-commerce sale is in principle taxed according to the rules applied to other activities, thus the regulations do not provide for specific tax regulations or preferences for e-business activity.
In practice, the sale made by an entrepreneur who has a server or an internet website in Poland, will be subject to a revenue tax in Poland.

For the purposes of value-added tax, e-commerce sale constitutes the so-called mail-order sale (mail-order sale into the country or from the country, respectively), due to the fact that this sale is usually offered to people who do not run their own business activities (natural persons).

In the case of mail-order sale in the country this sale remains taxed outside Poland on the condition that its total value does not exceed PLN 160,000. Upon exceeding this amount, an entity carrying out a mail-order sale in the country is obliged to pay value-added tax in the country and at the same time to register for the purposes of value-added tax in Poland.

**Ceasing to have a presence in Poland**

**Disposal of a business or subsidiary**

**Legal and commercial considerations**

The most effective method of closing the business activity by partners is the sale of their shares in the company.

In the case of partnerships (registered partnership, limited partnership, partnership limited by shares) the Polish law does not provide for a possibility of selling a company as such. The only form of closing the company's activity is its winding up. The exception is a situation where a shareholder withdraws from the company (on the condition that at least two shareholders will remain in the company after the withdrawal of the shareholder) and the sale of share in the company (if such possibility is provided for by the company's Articles of Association).

In the first case the shareholder withdrawing from the company receives the return of the capital share, the value of which is established on the basis of a separate balance sheet, taking into account the realisable value of the company's property. A capital share should be paid in cash. Contribution in kind made by the shareholder is returned also in kind. A withdrawing shareholder participates in the profit and loss on businesses which are not finished yet; however he has no influence on the way they are handled.

A sale of the share in a partnership is possible only if the shareholders provided for such a possibility in the company's articles of association. Then the condition of selling a share is the consent of other shareholders for the sale of a share.

**Limited liability company**

According to the Polish law, the agreement on the sale of shares in a limited liability company must be done in writing with signatures certified by a notary. If a shareholder does not have all the shares (he is not the only shareholder) it must be checked before concluding the agreement whether the company's articles of association does not contain provisions according to which the sale of shares requires a prior consent of the Company (consent is given by the company's management board in writing).

In case of refusal of the consent for the sale of shares, a shareholder may go to a court. If the court finds that there are important reasons, it may give consent for the sale of shares instead of the Company. In such a case the company will have the right to indicate another purchaser.
Join-stock company

According to the Polish law, bearer shares are fully disposable. The company's articles of association may include only restrictions regarding the disposal of registered shares. In such a case it is necessary to obtain the company's consent (articles of association may also restrict the possibility of share disposal in a different way). In a case where articles of association make the transfer of shares conditional on the company's consent, the consent is given by the management board in writing under the pain of nullity, (unless articles of association state otherwise). If the company refuses its consent on the transfer of shares, it should indicate another buyer. The time of indicating the buyer, the price or the method of its determination as well as payment date is stipulated by articles of association. In case of lack of those provisions a bearer share may be sold without restrictions. The time for indicating the buyer may not be longer than two months from the day of communicating to the company the intention to transfer shares.

Tax issues

Sale of activity or subsidiary

Ceasing activity in the country may follow as a result of, e.g. sale of such activity, and more precisely the sale of a company, within which such activity is carried out.

Tax consequences of the share selling by non-residents will mainly result from respective agreements on avoidance of double taxation.

If the owner of a company registered in Poland in a non-resident, then, in principle, the sale of the company (understood as the sale of shares) will be taxed in the country of residence of a non-resident, so outside Poland. This rule does not refer to cases when the property of the Company being sold consists of real estate in at least 50 percent or the Company being sold is listed on the Stock Exchange. In such a case the sale of shares is subject in Poland to 19 percent income tax.

Winding-up a company or deleting a company from the register of companies

Legal issues

The Polish law does not provide for a „strike off procedure” (deletion procedure) in relation to companies. A company may be deleted from the register after the winding-up procedure or after the end of a bankruptcy suit.

Partnership

The beginning of winding-up requires a resolution of shareholders and several actions taken by them, such as notification about the opening of liquidation to the register court, appointment of a liquidator etc. In case of partnerships, liquidation proceedings consists in taking actual and legal actions aiming at liquidation of the company’s property.

However, before the company’s property is liquidated, liquidators should finish current businesses of the company, collect all receivables and fulfil all obligations. The company’s property is mainly used to pay all the company’s liabilities and appropriate amounts are left to cover non-due or disputable liabilities. The rest of the property is divided between shareholders, according to the provisions of the company’s articles of association. In case of lack of appropriate provisions of the articles, the shareholders are repaid for their shares. The surplus is divided between shareholders in such a relation, in which they participate in profit.
Contribution in kind made by a shareholder to the company only for use is returned to the shareholder also in kind. The liquidation of the company is finished at the moment of its deletion from the register.

**Limited liability company**

The process of winding-up a limited liability company is a complicated and time-consuming process. The liquidation of a limited liability company shall take minimum 7-8 months. Below you can find main steps of the Limited Liability Company liquidation procedure.

First of all the Extraordinary Shareholders General Meeting have to undertake the resolution on dissolution of the company. The resolution have to be undertake in the presence of the Notary Public. With those day the procedure of liquidation is being opened. Liquidation shall be carried out under the name of the company with the additional words „XYZ Spółka z o. o. w likwidacji” (“XYZ Limited Liability Company in liquidation”). The members of the management board shall act as the Liquidators. The opening of the liquidation have to be filled to the National Court Register.

The following particulars shall be reported to the registry: the names of the liquidators and their address, the manner of the representation of the company by the liquidators and any changes in this respect. The each liquidator shall have the right and the obligation to file.

Sample of the liquidators certified by the notary shall be attached to the filling. The liquidators shall announce the dissolution of the company and the opening of the liquidation by summoning the creditors to report their claims within three months of the date of the announcement. The liquidators shall draw up a balance sheet as at the opening of the liquidation. Such balance sheet shall be submitted by the liquidators to the general meeting for approval. All assets shall be included in the liquidation balance sheet at their sale value. Liquidators shall close the current business of the company, collect receivables, pay debts and liquidate the assets of the company (liquidation actions). After the completion of the liquidation and the approval by the general meeting of the financial report drawn up as at the date of the end of the liquidation (the liquidation report), the liquidators shall announce the report to the registry court, together with the application that the company be deleted from the register. During liquidation, no payment, even partial, of the profits may be made to the shareholders, nor may the company assets be distributed before satisfaction of all debts.

Assets remaining after satisfying or securiting the creditors shall not be distributed among the shareholders before end of six months of the date of announcement of the opening of the liquidation and summoning the creditors. Dissolution of the company shall take place after liquidation, upon the deletion of the company from the register. The books and documents of the dissolved company shall be deposited with the person identified in the articles of association or in the resolution of the shareholders. If no such person is identified, the depositary shall be appointed by the registry court. The appropriate tax office shall be notified of the liquidation of receiver of the company; a copy of the liquidation shall be submitted.

**Joint-stock company**

The procedure of winding-up a joint-stock company is analogous to the above described liquidation procedure of a limited liability company.

**Bankruptcy suit**

In case of a bankruptcy of a company, its winding-up follows after the end of a bankruptcy proceedings, at the moment of its deleting from the register. The basis of initiating bankruptcy proceedings is insolvency of a company. The bankruptcy of a company may in particular follow the "change" of liquidation proceedings into bankruptcy proceedings, if during liquidation it turns out that the
company is insolvent. The initiation of bankruptcy proceedings does not always need to lead to the liquidation of a bankrupt company. In case of a ruling on a declaration of bankruptcy with a possibility of an arrangement, there is a possibility that the company will be able to make an arrangement with creditors, which will protect it from the loss of legal existence. The declaration of bankruptcy is made by the economic division of a district court.

**Tax issues**

The liquidation of a company in Poland will cause certain tax consequences with respect to income tax as well as value added tax.

In case of companies with legal status, the liquidation proceedings, above other things, aims at the sale of property items (in order to satisfy creditors, pay back liabilities etc.), which in turn leads to a tax obligation with relation to income tax as well as VAT tax – tax on the sale of property items. Property which remains in the company upon satisfying creditors may be cashed or transferred to the owner/owners (shareholders etc.).

For the purposes of income tax the property received in connection with the Company’s liquidation constitutes the so-called liquidation dividend, which in principle is taxed with 19 percent rate. However if a shareholder has his residence in another EU country or in a country which belongs to the European Economic Area and he has been in possession of these shares constantly for at least 2 years, then the revenue from dividend is free from tax.

With respect to value-added tax, the transfer of the rest of the property to a shareholder is in principle also treated as a tax-free activity (not taxable), however this issue is not clear in the assessment of the Polish tax authorities.

**Company migration**

**Legal issues**

The company’s registered office may be only in Poland. The change of the registered office by transferring it outside Poland in view of Polish regulations causes dissolution of a company (the company will be dissolved after the liquidation proceedings) There is a similar result in case of a merger of a Polish company with a company from another country of the European Union (cross-border merger), if the Polish company will be the acquire and the company from another EU country will the acquirer. As a result of the acquisition, the Polish company will be deleted from the register of companies, and it will be replaced by a branch of a foreign company.
Foreign Personnel in Poland

Entry in to Poland, Visas and Permits

Since 1 May 2004 the citizens of the countries of the European Union may, according to the rule of free movement of people, work in Poland and run economic activity in Poland.

Immigration

Migration to the country, Visitors

The provisions related with immigration are regulated in the Foreigners Law 2003. According to this Act the foreigner may cross the border and stay on the territory of the Republic of Poland if he has:

1)  Valid travel document;

2)  Valid visa or other document granting the entitlement to enter and stay on the territory (if are required).

The citizens of the following countries are released from the “visa obligation” (if the duration of the visit does not exceed three months):

Albania (only with biometric passport)  Mauritius
Andorra  Mexico
Antigua and Barbuda  Moldova (only with biometric passport)
Argentina  Monaco
Australia  Nicaragua
Bahamas  Norway
Barbados  New Zealand
Bosnia and Herzegovina  Panama
Brazil  Paraguay
Brunei  Salvador
Canada  San Marino
Chile  Serbia (only with biometric passport)
Costa Rica  Saint Kitts and Nevis
Guatemala  Seychelles
Honduras  Singapore
Hong-Kong (Special Administrative Region ChRL)  South Korea
Islandia  Switzerland
Israel  Taiwan (only with passport with ID number)
Japan  United Arab Emirates
Lichtenstein  United States of America
Macedonia (only with biometric passport)  Uruguay
Macao (Special Administrative Region ChRL)  Vatican City
Malaysia  Venezuela
The visa motion (application) has to be submitted to the Polish Consul. There are two types of the visa:

1. A uniform visa (so-called Schengen visa) marked “C” entitles to one or more entries, under the condition that the length of the continuous visit and the total length of successive visits in the territory of Schengen does not exceed three months in each of six months following the date of first entry into the territory of Republic of Poland.

2. A visa national symbol ‘D’ entitles to entry and continuous residence in the territory of Poland or more consecutive stays, lasting a total no more than three months, and where visits do not exceed more then one year during the period of validity of the visa.

**Permanent residence**

After a period of five years of the uninterrupted stay in the territory of Poland a foreigner can apply for a permanent residence card. The motion shall be submitted to the voivode, and must be submitted personally.

**Temporary residence**

A foreigner may apply for a residence permit for a specified period of time. Circumstances justifying residence in Poland for a period longer than 3 months are for example:

1) A work permit granted by a further employer;

2) Providing a business activity beneficial for the national economy;

3) Marriage to a Polish citizen.

In addition to above, the residence permit may be granted to the foreigner which:

1) Intends to begin or continue studies or vocational training (in the territory of Poland);

2) Because of family ties is intending to become a Polish citizen or a citizen of an EU member which is residing in Poland.

**Work Permits**

Citizens of EU member states, members of families of EU members who have businesses and EEA member countries are authorized to perform work or business activity in the territory of Poland without a prior work permit.

Citizens from other countries intending to work in Poland have to first find an employer in Poland who will agree to apply for a work permit. A foreigner can obtain such an agreement if there are no counter-candidates among Polish citizens for the position he/she is applying for. A negative result allows the right to employ the foreigner. The motion has to be submitted by the employer to the voivode. The work permit has to be immediately delivered to the foreigner, which on the basis of the work permit shall receive the appropriate visa as well as a permit to live in the place in which the work is being performed. The work permit is granted for a defined period of time, maximum 3 years (5 years for a foreigner who is performing the obligations of a member of the management
body of a company). The motion of extension of the work permit has to be submitted no later than 30 days from the moment of expiry of the work permit.

**Totalization agreements on social security**

The provisions of regulation 1408/71 apply to the scope which is subject to social insurance. According to the above-mentioned regulation a person who is employed in one country is subject to its legislation, even if this person resides in another country or if the company or his employer has a registered office or place of activity in another member state. A person who runs business activity at own risk in one member state is subject to the legislation of this state, even if this person resides in another member state.

According to regulation 1408/71 an employee is every person who carries out work for a certain amount of time for the benefit of and under the management of another person, with pay. Thus the group of persons subject to social insurance includes, except for persons employed on the basis of an employment contract, also persons employed on the basis of a fee-for-task agreement.

The basis to calculate social insurance contributions is income in the meaning of personal income tax act obtained by the employee on account of work relationship.

Rates of social security contributions are as follows (%):

<table>
<thead>
<tr>
<th>Type of insurance</th>
<th>Premium</th>
<th>Partition of premium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Employer</td>
</tr>
<tr>
<td>Retirement</td>
<td>19.52</td>
<td>9.76</td>
</tr>
<tr>
<td>Disability</td>
<td>8</td>
<td>6.5</td>
</tr>
<tr>
<td>Industrial</td>
<td>0.40% - 3.60%</td>
<td>0.40%-3.60%</td>
</tr>
<tr>
<td>Sickness</td>
<td>2.45</td>
<td></td>
</tr>
<tr>
<td><strong>Sum:</strong></td>
<td>30.37-33.57</td>
<td>16.66-19.86</td>
</tr>
</tbody>
</table>

The employer is also obliged to pay a premium to the State Fund for Disabled (PFRON). The duty to pay the premium to the Fund and the amount of premium depends on the number of people employed, their average remuneration and the total number of disabled employees.

The above contributions are settled on a monthly basis and transferred to the Social Security Institution (ZUS) in the full amount by payers of social security contributions.

According to regulation 1408/71 persons running a business activity at own risk include: persons running non-agricultural business activity, partners of professional, registered and limited partnerships, partners of one-man limited liability companies, representatives of freelance occupations, authors, artists and farmers. Persons running a business activity pay social insurance contributions on the basis the declare which may not be less than a minimal salary.
Health insurance

Employees who are subject to mandatory social insurance are also subject to mandatory health insurance. The basis for the calculation of health insurance contribution is income in the meaning of personal income tax regulations, obtained from the employment relationship. The basis for the calculation of the contribution is reduced by pension insurance, sickness insurance and disability insurance contributions, deducted by the employer from the employee’s resources. Sickness insurance contributions amount to 9% of the basis for the calculation of the contribution.

Employees’ rights

With relation to persons employed on the basis of an employment contract, Labour Code Act and the administrative regulation issued on its basis are the legal acts which comprehensively regulate relations between employees and employers. In issues not regulated by the Labour Code, the parties may freely arrange the conditions in a contract, provided that if a given clause of an agreement regulates the employee’s rights less favourably than the provision of the Labour Code, by law this provision is replaced with the provision of the Code. According to the Polish regulations, an employment contract should be concluded in writing. The employment contract should include the following:

- Type of work;
- Place of work;
- Salary with indication of salary components;
- Time of work (full-time, part-time);
- The beginning date of work.

Additionally the employer should inform the employee in writing not later than within 7 days from the conclusion of the employment contract about:

- Daily and weekly time of work obligatory for the employee;
- Frequency of payment of salary;
- Annual leave to which the employee is entitled;
- Notice period obligatory for the employee;
- Night hours;
- Place, time and period of the payment of the salary;
- The system which employees use to confirm their arrival and presence at work, which is accepted by the employer, as well as excuse for absence at work.
An employee is entitled to the following paid leave:

- 20 working days – if an employee has been employed for less than 10 years;
- 26 working days – if an employee has been employed for at least 10 years;

... whereas the length of service from which the length of leave is dependent is cumulated with the length of service for other employers.

The basic responsibilities of an employer include:

- Informing employees who start work about their responsibilities, the way of performing work on determined positions and their basic authorizations;
- Organizing work in a way which ensures full use of the time of work as well as obtaining by employees, with the use of their skills and qualifications, high efficiency and due quality of work;
- Organizing work in a way which ensures the reduction of the tiresomeness of work, especially monotonous work and work in an established upper pace;
- Counteracting discrimination in employment, in particular due to gender, age, disability, race, religion, nationality, political convictions, union membership, ethnic origin, denomination, sexual orientation, as well as due to fixed-time vs. indefinite-time employment, or full-time vs. part-time employment;
- Ensuring safe and hygienic conditions of work and offer systematic training for employees on health and safety at work;
- Paying salary in a timely and correct way;
- Facilitating the improvement of employees’ professional qualifications;
- Giving employees who start work after graduation from technical school or university conditions favourable for adaptation to a due execution of work;
- Meeting, according to available means, the social needs of employees;
- Applying objective and fair assessment criteria of employees and the results of their work;
- Maintaining documentation in issues related to the employment relationship and personal files of employees;
- Keeping documentation in issues related to the employment relationship and personal files of employees in conditions which do not threaten with damage;
- Maintaining good social relations in the place of work.

An employee’s responsibilities include in particular:

- Keeping to the working hours established in the place of work;
- Observing work regulations and order established in the place of work;
- Observing regulations and safety rules as well as fire regulations;
- Caring for the interests of the place of work, protect its property and keep confidential information the revealing of which might cause damage to the employer;
- Keeping secrets determined by other provisions;
- Observing the rules of social intercourse in the place of work.
# Appendix

## Reference Web Sites

<table>
<thead>
<tr>
<th>Agency or Resource</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Polish Agency for Enterprise Development (PARP)</td>
<td>en.parp.gov.pl/</td>
</tr>
<tr>
<td>Ministry of Economy</td>
<td><a href="http://www.mg.gov.pl/#">www.mg.gov.pl/#</a></td>
</tr>
<tr>
<td>Warsaw Stock Exchange (also NewConnect and Catalyst)</td>
<td><a href="http://www.gpw.pl">www.gpw.pl</a></td>
</tr>
<tr>
<td>The National Chamber of Statutory Auditors</td>
<td><a href="http://www.kibr.org.pl/pl/about-us">www.kibr.org.pl/pl/about-us</a></td>
</tr>
<tr>
<td>The Polish Information and Foreign Investment Agency (PAiIz)</td>
<td><a href="http://www.paiz.gov.pl/index/?lang_id=12">www.paiz.gov.pl/index/?lang_id=12</a></td>
</tr>
<tr>
<td>Polish Chamber of Commerce (PCC)</td>
<td><a href="http://www.kig.pl/index.php">www.kig.pl/index.php</a></td>
</tr>
<tr>
<td>Polish Confederation of Employers Lewiatan</td>
<td><a href="http://www.pkpplewiatan.pl/en/">www.pkpplewiatan.pl/en/</a></td>
</tr>
<tr>
<td>Ministry of Finance</td>
<td><a href="http://www.mf.gov.pl/?const=0&amp;lang=en">www.mf.gov.pl/?const=0&amp;lang=en</a></td>
</tr>
<tr>
<td>Polish Court Registry (KRS)</td>
<td><a href="http://www.krs-online.com.pl/">www.krs-online.com.pl/</a></td>
</tr>
<tr>
<td>Social Insurance Institution (ZUS)</td>
<td><a href="http://www.zus.pl/default.asp?p=1&amp;id=1442">www.zus.pl/default.asp?p=1&amp;id=1442</a></td>
</tr>
</tbody>
</table>

## Key Contacts

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Partner:</td>
<td>Ewa Jakubczyk – Cały</td>
<td><a href="mailto:ewa.jakubczyk@pkfpolska.pl">ewa.jakubczyk@pkfpolska.pl</a></td>
</tr>
<tr>
<td>Audit services:</td>
<td>Miroslawa Cienkowska</td>
<td><a href="mailto:miroslawa.cienkowska@pkfpolska.pl">miroslawa.cienkowska@pkfpolska.pl</a></td>
</tr>
<tr>
<td>Advisory services:</td>
<td>Jan Cały</td>
<td><a href="mailto:jan.caly@pkfpolska.pl">jan.caly@pkfpolska.pl</a></td>
</tr>
<tr>
<td>Accounting services</td>
<td>Ewa Jakubczyk-Cały</td>
<td><a href="mailto:ewa.jakubczyk@pkfpolska.pl">ewa.jakubczyk@pkfpolska.pl</a></td>
</tr>
<tr>
<td>Taxation services</td>
<td>Agnieszka Chamera</td>
<td><a href="mailto:agnieszka.chamera@pkfpolska.pl">agnieszka.chamera@pkfpolska.pl</a></td>
</tr>
<tr>
<td>International development</td>
<td>Jakub Juskowiak</td>
<td><a href="mailto:jakub.juskowiak@pkfpolska.pl">jakub.juskowiak@pkfpolska.pl</a></td>
</tr>
</tbody>
</table>
Contact Details of PKF Offices

Warszawa
ul. Orzycka 6 lok. 1B
02-695 Warszawa
tel.: (+48 22) 560 76 50
fax: (+48 22) 560 76 63

Łódź
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tel.: +48 42 637 10 11
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Katowice
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tel./fax (+48 32) 253 66 69
tel. (+48 32) 253 84 98

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61-441 Poznań
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fax: (+48 61) 668 68 60