

## Business in Poland



Poland is a country placed in Central and Eastern Europe, and its bordering countries are Russian Federation, Lithuania, Belarus, Ukraine, Czech Republic, Slovakia and Germany.

Situated in the heart of Europe, Poland's territory connects perfectly north, south, east and west of the continent. Geographically, Poland is the ninth largest country in Europe.

Poland has been an EU member state since 2004 and is a member of the North Atlantic Treaty Organization (NATO), the United Nations (UN), the World Trade Organization, and the Organization for Economic Co-operation and Development (OECD). Current reports point to Poland as the ninth largest economy of the EU and the biggest one in the Central and Eastern Europe region. Poland was ranked 37 out of 141 countries in The World Economic Forum Global Competitiveness Report 2019. In 2020, due to the COVID-19 worldwide pandemic, there was no Global Competitiveness Index Ranking in the Global Competitiveness Report – Special Edition 2020: *How Countries are Performing on the Road to Recovery, Poland*.



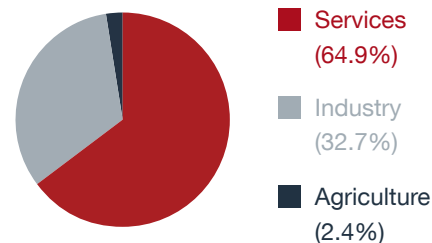
### Population

38.3 million

 = 5 million



### GDP Breakdown by Sector (2018)



### Currency

Polish Zloty (zł)

### Foreign Direct Investment (2019)

13.2 billion (USD)

### GDP Growth (est. 2021)

3.1% - 3.5%

## Business Climate

Poland has become Europe's biggest economic success story since it transformed into a market economy in the early 1990s. The EU's sixth largest market by population, Poland has enjoyed 29 years of unbroken growth – driven by strong domestic demand, dynamic exports, improved productivity, foreign investment, a stable banking system, and a significant inflow of EU cohesion funds.

According to the reports on emerging markets, Poland is offering one of the largest in the region increase of the revenues. Many companies are doing business in Poland because of the strong and attractive consumer market, strategic location, and well-educated workforce.

### Intellectual Property

The Polish system of intellectual property law complies with all key international agreements on intellectual property. For example, Poland is a member of the World Intellectual Property Organization (WIPO), a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and many other laws regarding copyright and intellectual property. Poland, as a member of the EU, is also obliged to respect superior European regulations in the field of intellectual property. The local branches of international watchdogs constantly monitor breaches that may occur.

### Banking Sector

The Polish National Bank (NBP) is Poland's central bank. The Polish banking sector entered the period of the COVID-19 pandemic and is capitalized and solid. However, the last three quarters of 2020 have caused some perturbations in the sector, translating into a high share of banks in the financing of public debt, which, in an environment of growing budget deficits (due to the effects of the COVID-19 pandemic) could force banks to extend this exposure and therefore limit bank's ability to finance entrepreneurs directly. Nonetheless, the Polish banking system is still characterized by high solvency.

Poland's banking sector meets the European Banking Authority regulatory requirements.

The banking sector plays a dominant role in the financial system, accounting for about 70% of financial sector assets. The sector is predominantly privately owned, with the state controlling about 45% of the banking sector and one of the biggest insurance companies.

## International Trade

Foreign investors can get support from the government agency – Polish Investment and Trade Agency (Polska Agencja Inwestycji i Handlu). The agency operates as an intermediary between foreign investors and state authorities, providing various programs and instruments.

### Government Grants

Government grants are provided as a subsidy based on mutual agreements between a foreign investor and the Ministry of Development (currently Ministry of Development, Labour and Technology), which regulates terms of payment of the subsidies under the principle constituting that the subsidy is disbursed proportionally to the stage of the performance of the investor's obligations.

### Special Economic Zones/Polish Investment Zones

Special economic zones (SEZs) are administratively separate areas where investors can perform business while obtaining benefits and support from regional or governmental authorities. In Poland, there are currently 14 SEZs spread all over the country which will be functioning up to 2026.

### Trade Agreements

The EU has free trade agreements with countries, providing a higher level of mutual market access.

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## Tax Regime

### The main direct taxes applicable in Poland are:

- **Corporate Income Tax:** CIT applies to entities that are tax residents in Poland, being taxed on their worldwide income. A company is a Polish resident if it has either its registered office or place of management in Poland. The standard CIT rate is 19% but also 9% rate is available for smaller entities.

Companies investing in Poland are able to benefit from CIT exemption connected with new investments which may be placed in any part of Poland. Companies conducting activities in the area of research and development (R&D) may additionally deduct from the tax base costs related to R&D works and tax their income derived from qualifying intellectual property rights at a 5% rate.

- **Personal Income Tax:** PIT applies to individuals who are tax residents in Poland (i.e., a person who has been staying in Poland for more than 183 days in a given year or has a center of life interests in Poland). Tax residents in Poland are taxed on their worldwide income at progressive rates from 17% to 32%. A different 19% tax rate may be applicable to the income such as dividends, interests and capital gains. Since 2019, a solidarity tax comes into force and a 4% tax will be paid by the individual whose income exceeds PLN 1 million.

Individuals in Poland are also subject to Inheritance and Donations Tax.

- **Non-Resident Income Tax:** Individuals and entities that are not domiciled (not resident) in Poland but obtain their income in the Polish territory are also subject to PIT and CIT but only from the Polish source of income. There is a non-exhaustive list of categories of income to be considered as earned on the territory of Poland (e.g., income from all kinds of activity carried out in Poland, income from real estate, securities and derivatives, sale of shares in the company, or payments due from Polish residents). Permanent establishments will be subject to the general tax rates.

Taxation of unrealized capital gains in the case of transfer of assets, change of tax residence, or taxpayer's permanent establishment outside the territory of Poland has been introduced in 2019. The exit tax applies both to individuals and entities, and the tax rate varies from 3% to 19%.

### The main indirect taxes applicable in Poland are:

- **Value-Added Tax (VAT):** Commercial supplies of goods and/or services, as well as exports, imports, and intra-EU acquisitions of goods, will be subject to Polish VAT with the standard rate being 23%. Reduced tax rates (0%, 5% and

8%) will be applicable depending on the nature of the goods or services. Certain transactions are exempt from VAT (i.e., financial and insurance transactions, medical services or educational services).

For foreign companies providing goods or services in Poland, there is a requirement to VAT register as a non-resident VAT taxpayer. Under certain circumstances, the tax authorities will require the company to appoint a fiscal representative in Poland. The foreign entities may be obliged to open a bank account in a Polish bank when selling or acquiring goods or services subject to obligatory split payment (e.g., electronic devices).

- **Transfer and Stamp Tax:** Transfer tax applies in principle when the civil activities are not subject to VAT. Transfer tax applies also to articles of associations of companies and their change in certain circumstances. Stamp duty is collected on state administration agencies' activities that are specified in the regulations.

Additionally, there is a local tax on real estate properties.

- **Excise Duties:** The common system of excise duty in the European Union and Poland includes regulations concerning excise goods such as energy products, electricity, alcoholic beverages and tobacco products.

## Establishing a Business

Polish law provides a number of structures that may be used to carry out business activity in Poland. As of July 1, 2021, there will be three types of capital companies in Poland according to Polish Commercial Law:

- Spółka z ograniczoną odpowiedzialnością (limited liability company) – minimum capital of 5,000 PLN (EUR 1,156.50)
- Spółka Akcyjna (joint-stock company) – minimum capital of PLN 100,000 (EUR 23,130)
- Prosta Spółka Akcyjna (simple joint-stock company) – minimum capital of PLN 1

The shareholders of the aforementioned companies are not liable for the company's obligations.

Furthermore, other types of partnerships exist under Polish law with different level of personal liability of the certain partners, i.e., Spółka Jawna (general partnership), Spółka Partnerska (professional partnership), Spółka Komandytowa (limited partnership), and Spółka Komandytowo Akcyjna (limited joint-stock partnership). There is also – as in other EU countries – the possibility to run business in the form of Societas Europaea (public limited companies within the European Economic Area).

Under Polish law, the business of the foreign company may be carried out also as the branch of the foreign entrepreneur after the registration of the branch in the Polish register of entrepreneurs of National Court Register.

In general, under Polish law, the entrepreneur may undertake any type of legal business undertakings with the exception of some types of business activity that require a concession or other permit from relevant authorities.

The legal and business environment in Poland is startup-friendly. The important factor for the growth of startups in Poland is the possibility of obtaining EU grants for innovative business endeavors – special state agency NCBR, the National Center for Research and Development administers these co-financing programs – as well as the highly educated and professional workforce.

## Employment Affairs

Nationals of the European Union and the European Economic Area states and citizens of the Swiss Confederation are allowed to live and work in Poland without the necessity of obtaining formal work permits, so the employer may employ the citizens of the aforementioned states without any additional formalities. In general, the citizens of other states have to obtain work permits to be allowed to work in Poland. Some citizens of other states do not have to obtain the permit, and the work can be provided on basis of the employer's declaration if:

- The citizen is a national of Armenia, Belarus, Georgia, Moldova, Russia or Ukraine.
- The employment period will not exceed six months in the next 12 months.
- The work to be performed does not include seasonal work for which a permit must be obtained.

In Poland, the minimum wage, as of 2021, is PLN 2,800 (approximately EUR 610) per month.

The length of maternity leave depends on the number of children born during one birth. For example, for one child, the length of the leave is 20 weeks, and for two children, the length of the leave is 31 weeks. In general, part of this leave may be used by the father of the child. The length of leave for the father – that may be used irrespective of the maternal leave – is two weeks. The length of parental leave (for the mother or father) is 32 weeks in case of single birth and 34 weeks in case of multiple births.

Generally speaking, the employment contract may be terminated in Poland by:

- Mutual consent of the parties
- Termination with notice period
- Termination without notice period

The important issue is that if the employer terminates the employment contract he should state to the employer the reason justifying the termination of the employment.

The retirement age is 60 years for women and 65 years for men.

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