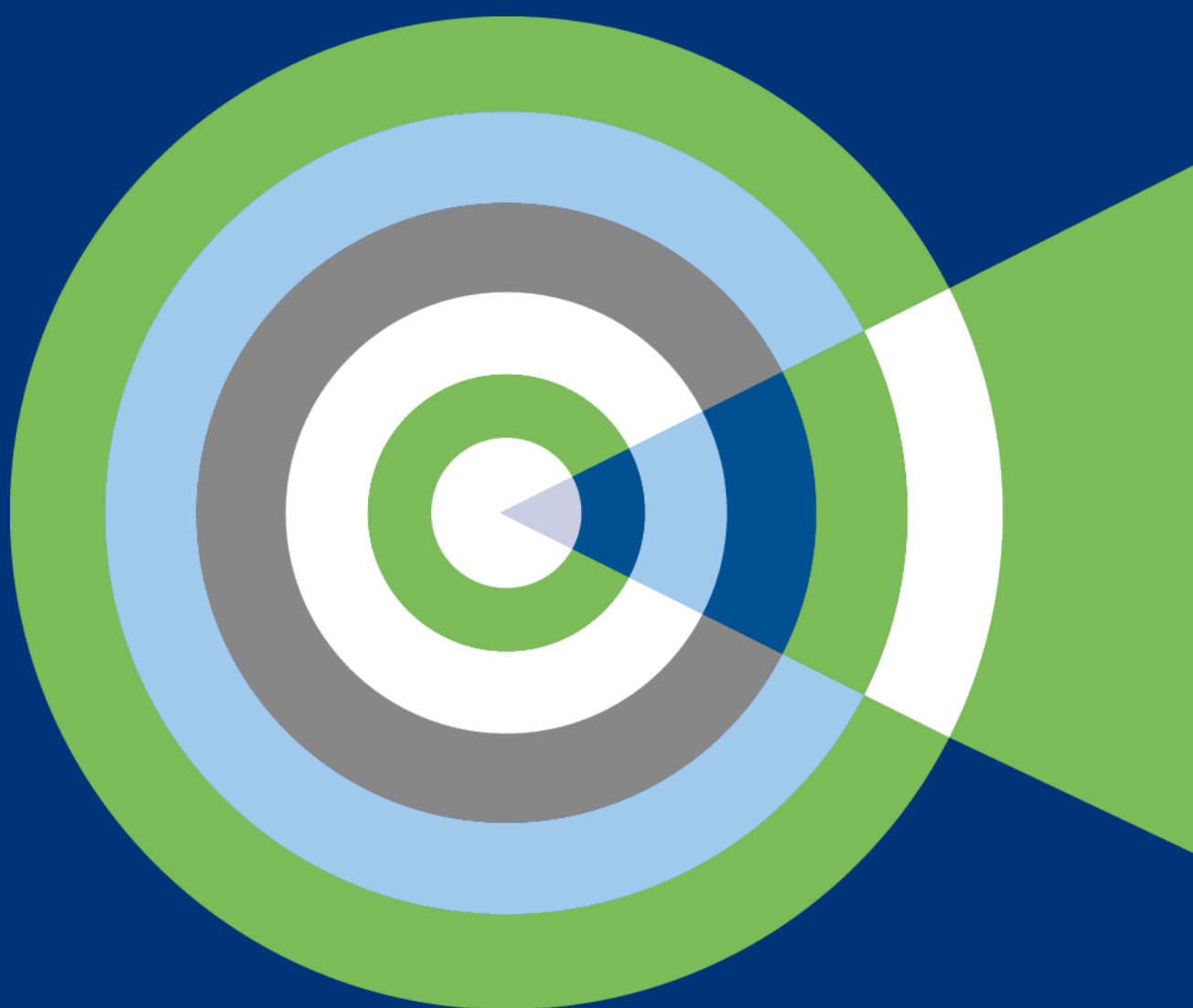


DOING BUSINESS

IN POLAND



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 80 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Poland has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Poland can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at May 2016.

We look forward to helping you do business in Poland.

2 – BUSINESS ENVIRONMENT

Poland is a parliamentary republic.

The supreme law of Poland is the constitution, passed on 2 April 1997 and ratified by a national referendum. The governmental system of Poland is based on the separation of powers and a balance between the legislature, executive and judiciary.

Since 1989, Poland has implemented a package of economic reforms which have laid solid foundations for the economy. After the introduction of successful reforms, Poland has become the Central European leader in attracting foreign direct investment.

Poland's macroeconomic stabilisation and rapid economic development have turned the country into one of the most desired target locations for investors.

Poland's successful political and economic transformation has found international recognition, as evidenced by its accession to the Organisation for Economic Cooperation and Development (OECD) in 1996, the North Atlantic Treaty Organisation (NATO) in 1999 and the European Union (EU) in 2004.

Throughout the global economic crisis, its economy has been one of the strongest – if not the healthiest overall – in the EU, avoiding most of the traps which have befallen other regional economies. The country did not participate in the sub-prime mortgage market and there have been no major bank failures or political implosions. Economic growth has slowed, but any recession has thus far been avoided.

According to Eurostat data, Poland is one of the few European countries likely to post economic growth in 2009–2015. Various forecasts predict that Poland has a good chance of maintaining a positive economic trend and suggest there will be satisfactory growth rates in future years.

STRENGTH OF POLAND'S GEOGRAPHIC LOCATION

Poland is the one of the largest country in Central and Eastern Europe (CEE region). Poland has sea connection and central position between West and East Europe. Thanks to good location Poland become one of the best performing transitional markets in the world. The CEE region growing faster than any region in the world with the exception of Asia pacific.

CEE and other regions comparative GDP growth

	2015	2016	2017
CEE Region	3,5	3,1	3,1
South East Europe	2,9	3,1	3,0
West Europe	1,7	1,8	1,8
USA	2,4	2,5	2,4
Latin America	-0,3	0,0	2,0
Asia pacific	4,6	4,6	4,5

Sources: Consensus Economics, Ceemea Business Group, IMF

Average annual GDP growth by period (CEE Region countries)

	2010-2013	2014-2018	2019-2023
Poland	3,4	3,5	3,0
Hungary	0,4	2,6	2,2
Czech Republic	1,1	2,6	2,3
Slovakia	2,5	2,9	2,7
Romania	0,9	3,0	3,0

Source: Ceemea Business Group

COUNTRY OVERVIEW

Official country name	Republic of Poland
Population	38.5 million
Area	312,685 square kilometres
Population density	123 people per square kilometres
Language	Polish
Religion	Roman Catholic (95%), Protestant, Russian Orthodox and other (5%)
Largest cities (population)	Warszawa (Warsaw) – capital 1,711,000, Łódź 722,000 Kraków 759,000.
Member of	NATO, OECD, WTO, Council of Europe
Currency	Polish złoty (PLN)
Currency exchange rates	2015 yearly average rates: USD 1 = PLN 3,7879, EUR 1 = PLN 4,2008

3 – FOREIGN INVESTMENT

INCENTIVES FOR INVESTORS IN POLAND

There are a number of key factors which make Poland especially favourable for investment.

Favourable factors include:

- The size of the Polish market
- Low labour costs
- Availability of educated staff
- The country's stable political situation
- Its favourable geographical location

Entrepreneurs conducting business in Poland have at their disposal a wide range of funding sources for investment projects of various types. Apart from significant amounts allocated for enterprises in 2007–2013 under European Union structural funds and European initiatives, there are also investment incentives within Special Economic Zones, governmental grants and local tax exemptions.

Investors should contact the Polish Information & Foreign Investment Agency in order to receive detailed information on the support available.

INVESTMENT PROTECTION TREATIES

Poland has concluded investment protection treaties with many countries.

These treaties stipulate that investments made by entrepreneurs from one contracting state will be treated fairly and on an equally favourable basis as domestic investors in the other contracting state.

4 – SETTING UP A BUSINESS

GENERAL PROVISIONS OF CONDUCTING BUSINESS ACTIVITY IN POLAND

MAIN SOURCES OF LAW REGULATIONS

The main legal acts governing business activity in Poland are:

1. **Act of 2 July 2004 on freedom of economic activity** (Dz.U. 2015 item 584 - consolidated text as amended subsequently) - this act regulates the establishment, running and closing of businesses in Poland, as well as regulating relevant public administration activities.
2. **Act of 15 September 2000 – The Code of Commercial Companies** (Dz. U. 2000 No 94 item 1037 – this act regulates the creation, organization, functioning, dissolution, merger, division and transformation of commercial companies
3. **Act of 20 August 1997 on the National Court Register** (Dz.U. 2015 item 1142 – consolidated text) – this act regulates in particular the rules of conducting of the entrepreneurs’ register and principles of making an entry thereto
4. **Act of 23 April 1964 – The Civil Code** (Dz.U. 2016 item 380)
5. **the Accountancy Law of 29 September 1994** (Dz.U. 2009 No 152, item 1223 with amendments).

FOREIGN PERSONS AND ENTREPRENEURS

Act on freedom of economic activity defines a foreign person as:

- A natural person permanently residing abroad, without Polish citizenship
- A legal person with a seat (registered office) abroad
- An organisational unit with a seat abroad, which is not a legal entity (has not a legal personality) but has a legal capacity.

According to the provisions of act on freedom of economic activity , a foreign entrepreneur is a foreign person running a business activity abroad.

According to the current regulations of polish law foreign persons from the EU member states and European Free Trade Association member countries which belong to the European Economic Area (EEA , and also persons from the other countries (not being the member of EEA or EFTA) who may enjoy freedom of establishment in accordance with agreement concluded by those countries with EU and EU Member States, may undertake and run businesses upon the same rules as polish entrepreneurs.

The same rules also apply to foreigners being the citizens of the countries other than the above mentioned, indicated in article 13 of act on freedom of economic activity , who in particular:

- Have received a permanent stay permit in the Polish territory
- Have obtained a Long-term EU residence permit
- Have the status of a refugee granted in the Republic of Poland
- Enjoy temporary protection within this territory.

Other foreign persons, than indicated above, have the right, unless international agreements state otherwise, to undertake and run business activities only in the following forms:

- Joint stock companies
- Limited liability companies
- Limited joint-stock partnerships
- Limited partnerships

They also have the right to take part in these kinds of partnerships or companies and to purchase shares.

Furthermore, foreign entrepreneurs may run business activities in the form of branch offices and may also set up representative offices in Poland.

FORMS OF BUSINESS ACTIVITY IN POLAND

There are several forms, which may be chosen by entrepreneurs for the purpose of commencement and conducting business activity in Poland. It is possible to choose between conducting a business individually (as an sole entrepreneur) or engaging in a civil partnership or to choose one of the commercial companies (partnerships – organisational entities without legal personality but with legal capacity or companies, which are legal entities). As mentioned above, foreign entrepreneurs may also run business in Poland.

INDIVIDUAL ENTREPRENEURS AND CIVIL PARTNERSHIPS

Among the least complicated forms of conducting business available to polish entrepreneurs and to the persons (entrepreneurs) indicated in article 13 of the Economic Freedom Act), are the undertaking of a business activity as an individual and civil partnerships.

Current regulations of the Act on freedom of economic activity have simplified setting up a business in Poland; fewer documents are now required to register a business and the registration process takes just 31 days (according to the report of the World Bank).

Neither individual businesses nor civil partnerships require initial capital outlays or high costs related to the establishment of any business activity. Entry into the Central Registration and Information on Economic Activity (*Centralna Ewidencja i Informacja o Działalności Gospodarczej – CEIDG*) is fairly simple and requires the completion of several forms.

For the purpose of commencement of individual economic activity it is necessary to submit completed application for entry into CEIDG. This application is free of charge and may be submitted:

- 1) in electronic form (on-line) – in such case it is necessary to use electronic signature or another form of signature verified in the manner provided by pursuant law regulations
- 2) in person in relevant commune office (Urząd Gminy) – application shall be undersigned with handwritten signature of the applicant
- 3) via registered mail – the signature of the applicant shall be authorised by a notary public

Business activity in Poland may be also conducted in the form of a civil partnership. According to provisions of law the civil partnership is neither a legal entity nor an organisational unit but it is a contract concluded by and between at least 2 partners. By the contract of civil partnership, the partners shall undertake to promote the attainment of a common economic objective by acting in a specified manner and in particular by making contributions.

In civil partnership:

- as a rule, partners being natural persons are individual entrepreneurs (they shall be entered in CEIDG)
- civil partnership is not a taxpayer of income tax – each partner is taxpayer of income tax
- as a rule civil partnership is a VAT taxpayer
- partners are not allowed to make any dispositions of their shares in partners' common property nor of their shares in particular elements of such property (civil partnership is not an owner of property or rights – partners are co-owners thereof)
- partners shall bear joint and several liability for the obligations of civil partnership
- each of the partners shall be entitled to represent civil partnership within the limits to which he is entitled to conduct the affairs of the civil partnership, unless the deed of partnership or partners' resolution state otherwise (as a rule each partner is allowed to manage the affairs of the civil partnership within the scope of ordinary acts of the partnership)

Individual entrepreneurs bear, as a rule, full liability with all assets for the obligations connected with commercial activity.

The partner of civil partnership bears full liability, with all his assets.

COMMERCIAL COMPANIES

According to the Code of Commercial Companies, commercial companies include: a registered (general) partnership, a professional partnership, a limited partnership, a limited joint-stock partnership (which are partnerships), a limited liability company and a joint-stock company (which are capital companies).

CAPITAL COMPANIES

JOINT-STOCK COMPANY (*SPÓŁKA AKCYJNA*)

Purpose	Established to operate business on a large scale. Capital may be obtained through issuance of shares.
Founders	May be established by one or more legal or physical persons. However, it may not be established solely by a single-member limited liability company. The statutes of the company shall be made in form of a deed.
Minimum capital	PLN 100,000 (contribution in cash and in-kind); The share capital shall be paid in prior to registration of the company to the extent of at least one fourth of its minimal amount required by law (100,000 PLN), in

	case the shares are subscribed for in-kind contributions only or for in-kind contributions and for cash contributions.
Legal personality	A joint-stock company is a legal entity. It shall acquire the legal personality upon the registration in register of entrepreneurs.
Company in organisation	At the moment of formation of the joint stock company (which is the moment, when all of its shares are subscribed for) the joint stock company in organisation is created. The joint stock company in organisation is no legal person, but may acquire rights in their own name, incur obligations, sue and be sued.
Liability	The company is liable for its debts and obligations with its whole property. Shareholders are not liable for the company's debts and obligations.
Taxation	CIT Declaration – corporate income tax; joint stock company is also a tax payer of VAT tax.
Establishment process	A joint-stock company is established in the same manner as a limited liability company. Due to the complexity of this process, investors are recommended to seek legal assistance.
Foreign investors	No special requirements for foreign investors.

LIMITED LIABILITY COMPANY (SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ)

Purpose	Established to conduct a business or for any other purpose allowed by law.
Founders	Both natural persons and legal entities may be founders. A limited liability company may be established by one or more persons. However, it may not be established solely by another single-member limited liability company.
Minimum capital	PLN 5,000 (contribution in cash and in-kind). The nominal value of a share may not be lower than 50 PLN. All contributions shall be made by all shareholders in full prior to the registration of the company, which shall be confirmed by the Members of the Board (the special statement shall be attached to the filing of limited liability company with the court register).

Legal personality	A limited liability company is a legal entity. It is created and acquires the legal personality on the day of the registration in register of entrepreneurs.
Company in organisation	Upon the conclusion of articles of association the limited liability company in organisation is created. Limited liability company In organisation has no legal personality (it is not a legal person), but may acquire rights in their own name, incur obligations, sue and be sued.
Company liability	The company is liable for its own debts and obligations with the whole of its property.
Shareholders' liability	Shareholders are not liable for the company's debts and obligations.
Taxation	CIT Declaration – corporate income tax and, as a rule, a VAT tax payer.
Establishment process	The articles of association or the founding deed must be executed in a notarised form before a notary public in Poland. The company must be entered in the entrepreneurs' register of the National Court Register (Krajowy Rejestr Sądowy – KRS). If the number of shareholders exceeds 25 and the share capital exceeds PLN 500,000 , a Supervisory Board is compulsory.
Foreign investors	No special requirements for foreign investors.

PARTNERSHIPS

LIMITED JOINT-STOCK PARTNERSHIP (*SPÓŁKA KOMANDYTOWO-AKCYJNA*)

Purpose	Established for the purpose of conducting business under its own business name. In practice, this type of partnership is most suitable for large-scale business (e.g. large family enterprises).
Founders	Must be established and conducted by at least two partners (at least one general partner and at least one shareholder).
Minimum capital	PLN 50,000
Legal personality	It is not a legal person but upon the provisions of Code of Commercial Companies it has been granted the legal capacity and it may acquire rights in their own name, incur obligations, sue and be sued.

Liability	At least one partner is liable to creditors for the debts and obligations of the partnership without limitation (the general partner), while at least one partner is a shareholder, being not liable for the obligations of the limited joint-stock partnership.
Taxation	the limited joint-stock partnership is a tax payer of income tax (CIT) and is VAT tax payer; each partner also pays taxes separately: PIT declaration – personal income tax, or CIT – corporate income tax.
Establishment process	The deeds of the partnership should be executed in a notarised form and signed by all general partners. The partnership should then be entered into the National Court Register and it is created upon the registration therein. There is no period of company in organisation. If the number of shareholders exceeds 25, a Supervisory Board shall be compulsory.
Foreign investors	No special requirements for foreign investors.

LIMITED PARTNERSHIP (SPÓŁKA KOMANDYTOWA)

Purpose	Established for the purpose of conducting business under its own business name.
Founders	Must be established and conducted by at least two partners (at least one general partner and at least one limited partner).
Minimum capital	Not applicable
Legal personality	It is not a legal person but upon the provisions of Code of Commercial Companies it has been granted the legal capacity and it may acquire rights in their own name, incur obligations, sue and be sued.
Liability	At least one partner is liable to creditors for the debts and obligations of the partnership without limitation (the general partner – such partner bears joint and several and subsidiary liability for partnership's obligations), while at least one other partner has limited liability (limited partner) and is liable for the obligations of the limited partnership only up to the commendam sum. Subsidiary liability means, that creditor of the limited partnership is allowed to

	conduct execution from the general partner's assets only if execution from the assets of the limited partnership is ineffective.
Taxation	Limited partnership is, as a rule, a VAT tax payer. Limited partnership is not a taxpayer of income tax. PIT Declaration – personal income tax, or CIT – corporate income tax - each of the partners pays taxes separately.
Establishment process	The deed of partnership should be executed in the form of a notarial deed and then entered into the National Court Register. The company is created upon its entry into the register. There is no stage of the company in organisation.
Foreign investors	No special requirements for foreign investors.

REGISTERED (GENERAL) PARTNERSHIP (SPÓŁKA JAWNA)

Purpose	A registered partnership operates a business under its own business name and is not another commercial company.
Founders	Must be established and conducted by at least two partners.
Minimum capital	Not applicable
Legal personality	It is not a legal person but upon the provisions of Code of Commercial Companies registered partnership has the legal capacity and it may acquire rights in their own name, incur obligations, sue and be sued.
Liability	Each partner bears liability for the registered partnership's obligations without limitation with all his assets jointly and severally with the other partners and the partnership. The liability of the partners for the obligations of partnership is subsidiary which means, that creditor of the partnership is allowed to conduct execution from the partner's assets only if execution from the assets of the partnership is ineffective.
Taxation	General partnership is, as a rule, a VAT tax payer. General partnership is not a taxpayer of income tax. PIT Declaration – personal income tax, or CIT – corporate income tax - each of the partners pays taxes separately.

Establishment process	The articles of association should be executed in writing otherwise being null and void and then entered into the National Court Register. The company is created upon its entry into the register of entrepreneurs. There is no stage of the company in organisation.
Foreign investors	No special requirements for foreign investors.

Among the partnerships there is also a professional partnership, which is used to execute professions specified in Code of Commercial Companies.

Commercial companies (both partnerships and capital companies) must be registered with the Statistical Office, and obtain REGON number and they also have to obtain Tax Identification Number (NIP). The current law regulations has simplified the rules of the above mentioned registration procedures and the companies, as a rule, obtain REGON and NIP as of the day of registration in the entrepreneurs' register of National Court Register. There is no necessity of submission any different applications for the purpose of obtaining REGON and NIP (but it is necessary to register some additional information using the registration filling NIP-8).

The articles of association of general (registered) partnership, limited partnership and limited liability company may be concluded with use of the standard template of the articles of association (the registration is conducted with the special forms on the website of Ministry of Justice; in such case only contributions in cash are allowed and the must be paid within 7 days after the registration of the company/partnership).

SPECIAL FORM FOR FOREIGN ENTREPRENEURS

REPRESENTATIVE OFFICE

A foreign entrepreneur may set up representative offices in Poland. A representative office operates for and on behalf of the business of the foreign entrepreneur within Poland and is part of the organisational and functional structure of his/her business. Therefore, the entrepreneur conducting the business activity is considered to be the foreign investor. A representative office must be entered into the Register of Representative Offices of Foreign Entrepreneurs, which is kept by the Minister of the Economy.

An entry is made by the minister pursuant to the submitted application and in accordance with its contents, following consultation with the minister responsible for the subject area pertaining to the foreign entrepreneur's business activity.

BRANCH OFFICES

Foreign entrepreneurs may set up a branch office in Poland to carry out business activity. The rights of foreign entrepreneurs depend upon whether Polish entrepreneurs abroad enjoy equivalent rights under international agreements (the principle of reciprocity) and whether any international agreements ratified by Poland provide otherwise.

The business activity of a branch office must overlap with that of the foreign entrepreneur. However, its objectives do not have to be as extensive as those of the foreign entrepreneur's business activity carried out abroad. In other words, the business pursued by a branch office may constitute only part of the entire business operations conducted by the foreign entrepreneur.

A branch office may engage in business activity following its entry into the Register of Entrepreneurs. The principles of registration are laid down in the Law of 20 August 1997 in the National Court Register (Journal of Laws, No 121, item 769 as amended).

Accounts may be kept in accordance with requirements applicable in the entrepreneur's country of residence. Polish law requires a branch office to maintain separate accounts in accordance with the provisions of the Accountancy Law of 29 September 1994 (Dz.U. of 2009 No 152, item 1223 with amendments).

COSTS OF COMPANY FORMATION

Costs in Poland for establishing a business

ACTIVITY	AMOUNT
An application for entry of an entity into the Register of Entrepreneurs	PLN 500
	PLN 250 in case of the registered partnership, limited partnership and limited liability partnership, the articles of association of which have been concluded using the special electronic templates (forms) via special registration system
Publication of an announcement about entry into the court's register (KRS) and about change of entry in KRS in the Court and Business Gazette (Monitor Sądowy i Gospodarczy - MSiG)	PLN 100
An application for entering a natural person in the Central Register and Information on Economic Activity, run by the Minister of Economy	Free of charge
(Publishing a notice of such an entry in the Court and Business Gazette is not mandatory.)	
An application for changing the entry of an entity in the Register of Entrepreneurs and its publication	PLN 250 (court fee) (+ PLN 100 - fee for announcement in MSiG as mentioned above)
	PLN 200 (court fee) + PLN 100 (fee for announcement in MSiG) if the amendment of the articles of association of the registered partnership, limited partnership and limited liability partnership, has been

	made with use of the special electronic template of the resolution
Entry of a representative office in the Register of Representative Offices of Foreign Entrepreneurs	PLN 500– court fee (+ PLN 100 – fee for announcement in MSiG as mentioned above)
Notarial fee charged for executing the articles of association or the founding deed, calculated as a percentage of the share capital	Up to 3,000 – PLN 100
	Over 3,000 – 10,000: PLN 100 + 3% of the amount over 3,000
	Over 10,000 – 30,000: PLN 310 + 2% of the amount over 10,000
	Over 30,000 – 60,000: PLN 710 + 1% of the amount over 30,000
	Over 60,000 – 1,000,000: PLN 1,010 + 0.4% of the amount over 60,000
	Over 1,000,000 – 2,000,000: PLN 4,770 + 0.2% of the amount over 1,000,000
	Over PLN 2,000,000: PLN 6,770 + 0.25% of the amount over 2,000,000 but no more than PLN 10,000
Tax on goods and services (VAT) imposed on notarial services	23%
CTT (Civil transaction tax)	0.5% of share capital minus costs of founding deed

USEFUL LINKS

1. www.ms.gov.pl – the site of Ministry of Justice, including information connected in particular with the National Court Register. On this site it is possible to obtain actual excerpts from the National Court Register which is free of charge
2. www.mf.gov.pl – the site of Ministry of Finance
3. www.prod.ceidg.gov.pl – the site including information connected with establishing and conducting of commercial activity by individual entrepreneurs
4. www.ekrs.ms.gov.pl – website for the purpose of electronic registration of the registered partnership, limited partnership and limited liability partnership

5 – LABOUR

EMPLOYMENT

The Labour Code is the key legal act regulating relations between employers and employees and sets out the conditions under which work can be carried out in Poland.

CONTRACTS

Types of contracts of employment:

- employment contract for a trial period: max. 3 months; each contract concluded with the same employer may be preceded by the employment contract for a trial period under the condition that it will concern other type of work or the same type if an interval since the last employment is longer than 3 years
- employment contract for a definite period of time: total employment period between the same parties on the basis of employment contracts for a definite period of time shall not exceed 33 months, and after their expiration the employment contract for a definite period of time (exception is a situation when the employer shows objective reasons being on its side and notifies such a longer contract to the State Labour Inspectorate); number of contracts for a definite period of time may not be higher than three - the third one shall be transformed into the employment contract for an indefinite period of time
- employment contract for completion of a specific task: is concluded for a time of substitution of another employee during his or her absence.

On 22nd February employment contract for completion of a specific task has been abolished.

Employment contract has to have a written form and should be signed not later than on the date of commencing employment. Provisions of the Labour Code determine elements which have to be included in the employment contract and also an extent of information which the employee shall pass to the employer in the written form.

Employment contract may be terminated:

- by a mutual consent of the parties,
- by a declaration of one of the parties with observance of the notice period (employment contract termination with observance of the notice period),
- by a declaration of one of the parties without observance of the notice period (employment contract termination without observance of the notice period),
- by expiration of time for which the contract was concluded,
- on the day of finishing the task which was the subject of the contract.

Notice periods:

- for employment contracts for a trial period:
 - 3 working days if the trial period does not exceed 2 weeks,
 - 1 week if the trial period is longer than 2 weeks,
 - 2 weeks if the trial period is longer than 3 months;
- for employment contracts for definite period or indefinite period:

- 2 weeks in the event of employing by a given employer for a period shorter than 6 months,
- 1 month in the event of employing by a given employer for at least 6 months,
- 3 months in the event of employing by a given employer for at least 3 years.

WORKING HOURS

- basic working time system where daily working time is 8 hours,
- equivalent working time where daily working time may be generally prolonged up to 12 hours, and for defined types of work - even up to 16 or 24 hours,
- working time system where prolongation of working time up to 43 hours per week on average is acceptable, and one day in some weeks in this period a daily working time may be prolonged up to 12 hours,
- interrupted working time system where working time schedule may foresee one break during a day, lasting not longer than 5 hours,
- working time system determined by tasks to be performed where above all the employee decides on working time schedule,
- shortened working week system where the work is being performed for less than 5 days a week,
- weekend working time system where work is being performed only on Fridays, Saturdays, Sundays and Holidays.

OVERTIME

It is acceptable to work in overtime hours up to 416 hours per year.

HOLIDAYS

All employees owe a right to paid annual vacation leave in amount of 20 or 26 working days per year. Leave may be used partially but at least its one part should include 14 calendar days.

EXCEPTIONS UNDER CIVIL LAW CONTRACTS

Employment on the base of the civil-law contracts. Such employees do not acquire employment rights, and are not subjected to the Labour Code regulations

- specified task contracts
- mandate contracts
- enterprise contract

REMUNERATION

Minimum gross remuneration is PLN 1,850.00 Since 1st January 2016.

INSURANCE SYSTEM

SOCIAL SECURITY INSURANCE

The social insurance is mandatory and includes: retirement, pension, accident and sickness premium. Retirement and pension insurance are paid up to gross remuneration limit amount: PLN 121650.00 (in 2016).

Labour Fund and Employees' Guaranteed Benefits Fund constitute the employer's expense. They do not have any influence on the remunerations obtained by the employee.

Mandatory social security (*Zakład Ubezpieczeń Społecznych* – ZUS) contributions are payable on a monthly basis. The contribution amounts payable by an employer and an employee to each kind of insurance are shown in table 2 below.

The employer is also obliged to pay a premium to the State Fund for the Disabled (*Państwowy Fundusz Rehabilitacji Osób Niepełnosprawnych* – PFRON). The duty to pay the premium to this fund and the amount of premium depend on the number of people employed, their average remuneration and the total number of disabled employees.

SOCIAL SECURITY CONTRIBUTIONS PAID BY EMPLOYER AND EMPLOYEE

TYPE OF INSURANCE	% PREMIUM	EMPLOYER SHARE	EMPLOYEE SHARE
Retirement	19.52% of remuneration	9.76%	9.76%
Disability	8% of remuneration	6.5%	1.5%
Accident	1.8% of remuneration if employer has up to 9 employees; over this number, the contribution rate depends on the nature of the employer's activities and results from the table announced by ZUS, or is determined by ZUS	1.8%	-
Sickness	2.45% of remuneration	-	2.45%
Labour Fund	2.45% of remuneration	2.45%	-
Guaranteed Employee Benefit Fund	0.1% of remuneration	0.1%	-

FOREIGNERS WORKING IN POLAND

Joining the EU led to changes in regulations concerning the employment of foreigners. Basic principles of EU 'free movement of people and capital' were taken into account. Rules for a foreigner's employment in Poland depend on their nationality or profession.

Recent changes regarding the principles of employment of foreigners in Poland simplified procedures connected with securing appropriate work permits (under the Regulation of the Minister of Labour and Social Policies of 29 January 2009 which outlines the circumstances in which a work permit is issued to a foreigner, regardless of detailed terms defined for the issuance of a work permit to a foreigner – Journal of Laws No. 16 item 85).

The fundamental act regulating principles associated with the employment of foreigners within the Republic of Poland is the Employment Promotion and Labour Market Institutions Act of 20 April 2004 (Journal of Laws of 2008, No. 69 item 415, unified text as amended; the 'Act'). The general principle arising from this act is the granting of the right to foreigners to perform work within the Republic of Poland.

In principle, the provisions exempt the following persons from the requirement to possess a work permit:

- Foreigners employed by an employer having its registered office in one of the EU member states or a European Economic Area (EEA) member state who have been temporarily assigned by their employer to perform work in Poland
- Foreigners holding a fixed-term residence permit issued in conjunction with their intention to perform work or undertake business activities
- Those undertaking or continuing studies or vocational training
- Those conducting scientific research
- Those who seek to connect with family
- Foreigners holding a valid Poland Card
- Citizens of the Republic of Belarus, Republic of Georgia, Republic of Moldova, the Federation of Russia or Ukraine who work for a period not exceeding six months in 12 consecutive months on the basis of the employer's declaration of intent to employ such nationals registered in the district employment agency for the place of residence or registered office of the entity submitting such a declaration

In addition, regulation from the Minister of Labour and Social Policy of 30 August 2006 on the performance of work by foreigners without the necessity to obtain a work permit (Journal of Laws of 2006, No. 156 item 1116 as amended) contains a list of 30 categories of persons who, due to the specific nature of their status or tasks being carried out by them, may perform work within Poland without the necessity to apply for a work permit. These include, among others:

- Persons running training sessions
- Those participating in vocational internships or supervising the performance of EU programs or other international aid programs
- Foreign language teachers, as well as those conducting classes in foreign languages under international agreements or understandings
- Members of the NATO armed forces or civil personnel
- Permanent correspondents of foreign mass media
- Persons giving occasional lectures or presentations
- Sportsmen representing Polish entities during sporting events
- Students of Polish universities during the period July to September
- Citizens of the Republic of Turkey and their families

VISAS

A foreigner wishing to undertake work in Poland must, in addition to obtaining a work permit, obtain the appropriate visa or residence document issued by another Schengen area state if their stay in Poland is not covered by visa-free regulations. The issue of granting a visa to foreigners is covered by the Aliens Act of 13 June 2003 (unified text in Journal of Laws of 2006, No. 234, item 1694 as amended). Pursuant to the provisions of this act, a foreigner entering the territory of the Republic of Poland is issued a visa in the form of:

- A unified residence visa
- A transit visa
- A domestic visa.

A unified residence visa or domestic visa may be issued ie to allow the foreigner to carry out research activities, to conduct commercial activities or to undertake work. The domestic visa may be issued to a foreigner who presents a permit for work within the Republic of Poland or a written statement from an employer confirming their intent to give work to the foreigner where the securing of a work permit is not required.

A work visa is issued (or a refusal to grant such a visa) by the consul in the country of permanent residence of the foreigner or, if the foreigner is already residing legally in a member state or European Free Trade Association (EFTA) country, by another consul. Decisions regarding the issuance or refusal to grant a visa are final.

EMPLOYMENT POLICY REGARDING EU CITIZENS

The act on employment promotion and labour market institutions authorises the Polish government to apply regulations of the Accession Treaty (Exhibit XII, point 2, clause 11) to citizens of EU member states. These concern limits on employing citizens from the EU and transition periods during which citizens may face difficulties obtaining employment visas.

Respective policies of particular EU member states towards Poles are different, as a result of which the Polish policy is not the same for all EU members.

The issue of freedom of employment of EU member states' citizens in Poland is regulated in detail under the ordinance of the Minister of Economy and Labour, of 26 May 2004 on the scope of limitations in the sphere of employment of foreigners in the Republic of Poland (Journal of Laws 123, item 1293).

The general rule for citizens of other member states is that limitations analogous to any imposed by a member state on Polish citizens will apply to their citizens in Poland.

PURCHASE OF REAL ESTATE BY FOREIGNERS

GENERAL

The purchase of property by foreigners is governed by provisions of the Purchase of Real Estate by Foreigners Act of 24 March 1920, with further amendments.

Within this act, the term 'foreigner' means:

- An individual who is not a Polish national
- A corporate entity having a registered place of business abroad
- A partnership of persons which does not have legal personality but has a registered place of business abroad and is incorporated under the laws of foreign countries
- A corporate entity which has a registered place of business in Poland but is controlled directly or indirectly by persons or partnerships residing abroad.

The general rule is that foreigners require a permit from the Minister of Internal Affairs and Administration to buy real estate.

CASES WHERE A PERMIT IS REQUIRED

A permit is required in each case of a real estate purchase ie acquisition of ownership title or perpetual usufruct right to real estate on the basis of a legal transaction.

The following transactions require a permit:

- Purchase of real estate
- Purchase or taking up of shares in a commercial company which has a registered place of business in the Republic of Poland and is the legal owner of title, or perpetual usufruct rights of real estate
 - A permit is required if, by purchasing shares in a company which is the legal owner of, or holds perpetual usufruct rights in, real estate, a foreigner will take control of that company; or if shares in an already-controlled company are acquired or taken up by a foreigner who is not the company's shareholder. A controlled company is a company in which a foreigner or foreigners holds or hold, directly or indirectly, more than 50% of votes at the meeting of partners or the general meeting of shareholders or has or have a dominating position within the meaning of the Code of Commercial Partnerships and Companies.

No legal acts or entries of ownership titles or perpetual usufruct rights may be made without a permit from the Minister of Internal Affairs and Administration. If special conditions are specified in the permit, evidence must be produced in the form of official documents that those conditions have been complied with.

If made in breach of the provisions of the Act, the purchase of real estate or shares by a foreigner is null and void.

ISSUANCE OF PERMITS TO ENTREPRENEURS FROM THE EEA

On 1 May 2004, the general rule whereby a permit is required for purchase by foreigners of real estate, or shares in companies which are legal owners or perpetual usufruct rights of real estate, ceased to apply to nationals and entrepreneurs residing or established in the territory of the EEA (EU plus Iceland, Norway and Lichtenstein).

However, the act provides for a number of derogations in this respect. EEA nationals and entrepreneurs must obtain a permit to purchase agricultural and forest land for 12 years after Poland became a member of the EU (ie until 2 May 2016). However, EEA foreigners will not be required to obtain a permit during the transitory period to purchase agricultural land situated in:

- Eight western and northern provinces: Dolnośląskie, Kujawsko-Pomorskie, Lubuskie, Opolskie, Pomorskie, Warmińsko-Mazurskie, Wielkopolskie and Zachodniopomorskie – after the end of the seven-year period since the execution of a lease contract (the date of execution must be certified), if during that period they have pursued farming in person on the land concerned and have legally resided in Poland
- Eight central and eastern provinces: Lubelskie, Łódzkie, Małopolskie, Mazowieckie, Podkarpackie, Podlaskie, Śląskie and Świętokrzyskie – after the end of the three-year period since the execution of a lease contract (date of execution must be certified), if during that period they have pursued farming in person on the land concerned and have legally resided in Poland.

OBTAINING A PERMIT

Permits are issued by the Director of the Department of Permits and Licences of the Ministry of Internal Affairs and Administration on authorisation from the Minister of Internal Affairs and Administration. Permits are issued in the form of an administrative decision on the basis of a foreigner's application. The provisions of the Administrative Procedure Code apply to proceedings connected with the purchase of real estate.

The permit is only a prerequisite for purchase and is not binding for the seller. The purchase of real estate must be executed in a notarised form. The permit is valid for two years from the date of issue. A binding purchase agreement should be made and executed within that time limit.

Exceptions from the obligation to obtain a permit include:

- Purchase by a controlled corporate entity, for its statutory purposes, of undeveloped real estate in urban areas if the total area in the entire country does not exceed 4,000 square metres
- Purchase of independent residential premises
- Purchase of real estate by a foreigner who has been residing in Poland for at least five years from the issuance of a permanent residence permit
- Purchase by a foreigner, whose spouse is a Polish national and who has resided in Poland for at least two years from the issuance of a permanent residence permit, of real estate that will become the joint property of both spouses
- Purchase of real estate by a foreigner if, on the day of purchase, the foreigner is entitled to statutory succession, after the assignor, of the real estate provided that the assignor was its legal owner or owner of perpetual usufruct rights for at least five years
- Purchase of real estate by a foreign bank, which is a mortgagee, after an ineffective auction under enforcement proceedings
- Acquisition or taking up by an indirectly or directly controlled bank of shares in a company which has a registered place of business in the Republic of Poland and is the legal owner or holder of perpetual usufruct rights of real estate in connection with enforcement of the bank's claims for banking services rendered.

Exemption from the obligation to obtain a permit does not apply to real estate situated in the vicinity of state borders and agricultural land of more than one hectare.

6 – TAXATION

Since the early 1990s, the Polish tax system has been gradually reformed, with the intention of encouraging investment in Poland and also creating jobs.

Tax system reforms have been supported by the process of the adaptation of and harmonisation of Polish law with EU law.

The Polish tax system distinguishes between 12 different types of tax:

- Eight direct taxes:
 - Corporate income tax (CIT)
 - Personal income tax (PIT)
 - Real estate tax
 - Tax on civil law transactions (PCC)
 - Transportation tax
 - Inheritance and donations tax
 - Agricultural tax
 - Forestry tax
- Three indirect taxes:
 - Tax on goods and services (VAT)
 - Excise duty
 - Gaming tax

TAX RATES IN POLAND

TAX	RATE/CHARACTERISTICS
Corporate income tax (CIT)	19%
Personal income tax (PIT)	Progressive scale – 18%, 32%; flat tax rate – 19%
Tax on goods and services (VAT)	Basic rate – 23%; reduced rates – 8% or 5%; export and intra-community supply rate – 0%
	If the annual turnover is less than PLN 150,000, then the business is exempt from paying VAT
Excise tax (<i>akcyza</i>)	Calculated either as a percentage of the value of goods or on a quantitative basis (fixed rate per unit)
	Imposed on the following goods, among others: cars, fuels, energy, alcohol, tobacco products, firearms, perfumes and cosmetics
Real estate tax (<i>podatek od nieruchomości</i>)	Rates established by commune councils (<i>rada gminy</i>)
	Rates differ depending on type, location and use of the real estate
Tax on means of transport (<i>podatek od środków transportu</i>)	Rates established by commune councils Rates differ depending on the type of transport.

	Imposed on trucks and buses
Tax on civil law transactions (<i>podatek od czynności cywilnoprawnych</i> – PCC)	Payable on certain civil law transactions e.g. purchase contracts, mortgage institution, company deeds
	Rates differ depending on the type of transaction
Stamp duty (<i>opłata skarbową</i>)	Payable on: certificates, permits, official applications, certain documents (eg bills of exchange)
	Rates differ depending on the subject of duty.

CORPORATE INCOME TAX (CIT)

TAX RATES

The corporate income tax rate is set at 19% of the tax base. The tax is a flat rate tax and does not depend on the amount of the tax base. In some cases the CIT Act provides for other tax rates.

A 19% tax rate is also applicable to incomes from dividends and other incomes (revenues) from participation in profits of legal persons with their seat in Poland.

For taxpayers with unlimited tax liability in an EU member state, an exemption is provided from the withholding tax on dividends paid out by Polish companies (a participation exemption). The application of this exemption is possible if the foreign shareholder holds or will hold a minimum 10% of shares in the Polish company during a period of at least two years.

In cases where dividends are gained from abroad, Polish tax provisions provide for two exemption methods:

- A participation exemption – relating to income generated in an EU member state, another EEA member state and Switzerland
- An underlying tax credit – applying to states other than EU members, EEA members and Switzerland with which Poland has a valid double tax treaty.

A participation exemption is applied if the Polish company has held at least 10% capital participation in the foreign subsidiary for an uninterrupted period of at least two years. However, the required minimum participation of a Polish parent company in a Swiss company is 25%.

The tax paid by a foreign company on the share of its profits from which a dividend was paid, can be credited, up to a limit, against income tax payable by the Polish parent company in Poland (an underlying tax credit). To apply the underlying tax credit, the Polish recipient shall hold at least 75% of the capital in the company paying dividends. Notwithstanding the above, the Polish recipient of dividends from abroad can also – up to a limit – credit the withholding tax paid abroad against tax payable in Poland.

As of 1 July 2013, under certain conditions, a total exemption from withholding tax will also refer to interest and royalties transferred from Poland to related companies from the EU. At present, the withholding tax rate in cases where the exemption is applicable, accounts for 5%.

ENTITIES SUBJECT TO TAXATION

Entities liable to pay CIT include:

- Legal persons (e.g. limited liability companies, joint-stock companies, foundations, co-operatives)
- Capital companies in organisation (created after signing a formation deed, but before registration into the court register)
- Foreign partnerships, if in the state where their seat is located they are treated as legal persons and are subject to unlimited tax liability there
- Tax capital groups

OBJECTS OF TAXATION

Generally, corporate income tax is imposed on income, irrespective of the source of revenue from which the income has been earned.

Entities having their seat or management in Poland are subject to taxation with respect to their global income irrespective of where it was generated (unlimited tax liability). Other entities are subject to taxation in Poland only with regard to income generated in Poland (limited tax liability).

Income is considered to be the surplus of total revenues over tax deductible costs gained in a tax year. If tax deductible costs exceed the amount of revenues, the difference constitutes a loss.

Tax losses incurred in previous tax years may reduce the taxable income of a taxpayer. A loss may be carried forward for five years following the year in which it was incurred. However, the amount deducted in a given year shall not exceed 50% of the loss value (i.e. the shortest period of a one-year loss settlement is two years.)

A tax year is defined as a calendar year. However, after meeting certain criteria specified in the CIT Act, a taxpayer may decide that the tax year is another period of 12 consecutive calendar months.

REVENUES

Revenues for CIT purposes are revenues received by a taxpayer. For business activities, a revenue (even if not yet actually received) generally constitutes taxable revenue after the exclusion of the value of goods returned as well as rebates and discounts granted.

Revenues in foreign currencies shall be expressed in PLN on the basis of the Polish National Bank's average rate of exchange from the last working day preceding the day of receiving the revenue.

TAX EXEMPTIONS REGARDING OBJECT OF TAXATION

A list of tax exemptions regarding objects of taxation includes the following items:

- Income received by taxpayers from governments of foreign states, international organisations or international financial institutions, deriving from non-returnable aid, including funds from framework projects for research, development and the introduction of European Union and NATO projects
- Income earned from economic activity carried out within a Special Economic Zone on the basis of an appropriate permit
- Grants, subsidies and other gratuitous benefits received in order to cover costs or as cost refunds if the costs refer to fixed assets
- Revenues gained abroad, if an adequate double tax treaty so stipulates

TAX DEDUCTIBLE COSTS

In order to be recognised as a tax deductible cost, an expenditure incurred by a taxpayer should meet all the following criteria:

- The expenditure was incurred with the purpose of generating income, retaining or protecting sources of income
- The expenditure is not present on the list of non-tax-deductible costs
- The expenditure was paid not later than 30 days from the date of expiry of the invoice due date or other document; in other cases, tax deductible costs shall be reduced by unpaid amounts

Expenditure can be classified as direct costs or other costs. As a rule, direct costs are deductible in the tax year in which the related revenue was earned. Other costs are deductible on the date they were incurred.

Tax deductible costs incurred in foreign currencies should be converted into PLN on the basis of the average exchange rates of the National Bank of Poland from the last working day preceding the day the costs were incurred.

Exchange rate differences shall increase revenues as foreign exchange rate gains or increase tax deductible costs as foreign exchange rate losses.

TAX BASE

Generally, the tax base is considered to be income (defined as the excess of revenues over tax deductible costs), reduced by certain deductions made by the taxpayer during the tax year.

The tax base may be reduced by donations for public utility purposes and for religious purposes. In total, deductions may not exceed 10% of income.

Furthermore, it is possible to deduct from the tax base the expenses for research and development activity.

In order to recognise given income as the tax base, a taxpayer is obliged to keep proper accounting records. If it is not possible to determine income (or loss) on the basis of records kept by a taxpayer, the income (or loss) shall be assessed by the tax authorities.

There is also a risk of income assessment by the authorities where taxpayers concluding transactions with related entities (as defined in the CIT Act) specify transaction prices which deviate from market prices (transfer pricing).

COLLECTION OF TAX

Tax-payers are obliged to transfer to the bank account of a tax office monthly tax advance payments to the amount of the difference between the tax due on the income earned from the beginning of the tax year and total advance payments realised in preceding months. Monthly tax advance payments shall be remitted by taxpayers by the 20th day of each month for the preceding month. There is no obligation to submit monthly tax returns.

A final settlement of tax is deemed to be finalised on the day a yearly tax return is submitted by a taxpayer to the tax office and the tax due is paid. This should be done at the end of the third month of the year following the tax year, at the latest.

The CIT Act provides for a simplified form of calculation and payment of tax advance payments. Taxpayers are entitled to make monthly advance payments to the amount of 1/12 of the tax due, as calculated in the yearly tax statement for the year proceeding the given tax year. If there was no tax due in the said statement, taxpayers are entitled to make monthly advance payments to the amount of 1/12 of the tax due, as shown in the yearly tax statement for the year two years preceding a given tax year.

'Small entrepreneurs' who launch business activities may benefit from the so-called tax credit. This is a relief which allows for the deferral of tax on income generated in the first tax year. The taxpayer is also relieved from filing a tax return for that year. The tax due with reference to such income shall be paid by taxpayers in instalments over the next five consecutive years.

In cases where taxpayers have a limited tax liability in Poland, tax due in Poland on income from Polish sources is in most cases withheld and transferred to the tax office by tax-remitters i.e. entities executing payments to such taxpayers (e.g. on account of licence fees, dividends, interests). Tax settlements according to the above described general rules apply in particular to foreign companies which have a permanent establishment in Poland (as specified in double tax treaties) and with reference to income that can be attributed to their activities, including foreign companies which are partners in partnerships established in Poland.

PERSONAL INCOME TAX (PIT)

As a rule, natural persons in Poland are subject to income tax (18% and 32%) calculated in compliance with a progressive tax scale and income thresholds.

However, there are exceptions. Under certain conditions, natural persons conducting a business activity can tax their income with a flat 19% tax rate or according to provisions regulating lump-sum taxation included in a separate tax act.

Flat tax rates can also apply in cases where income is in the form of capital gains and lump-sum taxation is applicable to certain incomes obtained by non-residents and other privileged groups of taxpayers.

SUBJECTS OF TAXATION

Natural persons subject to personal income tax (PIT) are individual taxpayers, including those with income from participation in partnerships, i.e.:

- A partnership in the meaning of the Polish Civil Code
- A registered partnership
- A professional partnership
- A limited partnership
- A limited joint-stock partnership

Any income from the participation in the above-mentioned partnerships, as well as income from joint ownership, joint enterprise, joint possession or joint use of things or property rights, is taxed separately for each partner (taxpayer), in proportion to his/her share in the partnership's income.

The PIT Act is also applicable to natural persons who are shareholders in companies having legal personality i.e. limited liability companies or joint stock companies, with reference to income from participation in the companies' profit.

OBJECTS OF TAXATION

Personal income tax is levied on all kinds of income, except for income exempt from taxation under provisions of the PIT Act and income on which collection of taxes has been abandoned under provisions of the Tax Ordinance Act.

According to the provisions of the PIT Act, income can be derived from several sources and the assignment of income to certain specific sources results in the application of a specific method of taxation.

An income from a given source of revenue is defined as the excess of total revenue from that source over its tax deductible costs, generated in a given tax year. If a taxpayer receives income from more than one source, subject to certain exceptions, the sum of the various incomes from all sources is subject to taxation. The said exceptions refer to the following:

- Revenue (income) which is subject to lump-sum taxation
- Income which is subject to flat-rate tax

The aforementioned kinds of income are not accumulated with the income earned by taxpayers from other sources (taxed pursuant to the tax scale). Furthermore, any income subject to the flat-rate tax is disclosed in separate tax returns, showing income from capital gains and income from a business activity respectively.

SCOPE OF TAX LIABILITY (UNLIMITED AND LIMITED TAX LIABILITY)

The 'global' nature of personal income tax means inter alia that this tax is imposed on income of all natural persons provided that they gain income from sources located in Poland. The scope of a person's tax liability decides whether income from sources located abroad is subject to taxation in Poland as well.

Taxpayers are subject to unlimited tax liability in Poland if they have a place of residence in Poland i.e.:

- They stay in the territory of Poland longer than 183 days during a tax year, or

- They have a centre of personal or economic interest in the country (centre of vital interests)

If a person has a residence in another country, a conflict between tax jurisdictions shall be settled and determined according to the regulations of an appropriate double tax treaty of the country where the person is a tax resident. Only then will it be possible to determine the tax status of such a person in Poland.

Taxpayers with unlimited tax liability in Poland (Polish tax residents) are subject to taxation on their worldwide income. Natural persons without a place of residence for tax purposes in Poland (persons with a limited tax liability in Poland) are subject to taxation in Poland only with respect to their Polish-sourced income.

TAX BASE AND CALCULATION OF INCOME

Generally, income calculated as the excess of revenue over tax-deductible costs constitutes the tax base for PIT purposes.

Income may be then reduced by the taxpayer, for example by:

- The amount of obligatory social security premiums paid by a taxpayer or persons co-operating with the taxpayer during the tax year in Poland or in another EU country, EEA country or in Switzerland
- Expenses incurred for the use of internet
- Expenses for the rehabilitation of disabled persons
- Donations for public utility organisations (including organisations conducting public utility activities in another EU country or in an EEA country) to be used for purposes of science, culture, health, charity or the environment, as well as donations for religious purposes and blood donations
- The expenses for research and development activity

As a rule, taxpayers who carry out a business activity are obliged to calculate their income on the basis of accounting books. If it is not possible to calculate income on the basis of accounting books kept by the taxpayer, the income should be assessed.

TAX COMPUTED PURSUANT TO THE SCALE

Income is subject, as a rule, to income tax calculated in compliance with the following progressive scale, using tax rates amounting to 18% and 32% depending on income thresholds. Tax calculated in compliance with the tax scale may be reduced in part by obligatory health insurance premiums paid in Poland or in another EU or EEA country or in Switzerland. On the tax return form, a taxpayer may declare that a maximum 1% of his tax due resulting from his/her returns shall be transferred to the account of a public utility organisation of his choice.

LUMP-SUM TAXATION FOR CERTAIN KINDS OF REVENUE (INCOME)

In some cases, tax may be imposed as a lump-sum tax on certain revenue (and not income) which is subject to taxation; in such cases, no tax-deductible costs may be taken into account. As a rule, revenues which are subject to a lump-sum tax are not revealed in annual tax statements submitted to the tax office by taxpayers.

FLAT-RATE TAX

Taxpayers running a business activity may tax the income from this activity with a 19% flat tax.

The institution of a flat-rate tax does not deprive taxpayers of the right to deduct tax-deductible costs from earned revenue. However, by using a flat-rate taxation method the taxpayer is not able to take advantage of the majority of tax allowances and deductions. Nevertheless, the taxpayer who has chosen this method of taxation is entitled to deduct the following:

- From the income – any loss incurred in previous tax years (incurred as a result of conducting the business activity)
- From the income – retirement, disability, sickness and accident obligatory insurance premiums paid by the taxpayer
- From the tax –health insurance premiums paid in the tax year

The 19% flat-rate tax also applies to certain income from capital. The settlement of certain income in the form of capital gains taxed with a flat rate tax is not subject to advance payments during the year. A taxpayer who earns income from such sources is obliged to make a settlement once a year (up to 30 April of the following year), which is submitted independently from the annual tax settlement for income subject to general taxation rules (e.g. income from an employment relationship).

COLLECTION OF TAX

During a tax year, taxpayers are obliged, as a rule, to make monthly advance tax payments (by the 20th day of the following month for the preceding month) and, after the end of a given tax year, pay the tax due in a final amount (i.e. not later than 30 April the following year). This rule does not apply to a lump-sum tax, which is calculated and collected with reference to certain categories of revenue earned during the tax year and not accumulated with income earned from other sources after the end of the given year.

So-called ‘small entrepreneurs’ and taxpayers who launch a business activity may pay tax advances quarterly.

As a rule, a PIT taxpayer is obliged to calculate and transfer on his/her own responsibility both tax advance payments and tax. There are some exceptions to this rule, where with respect to certain categories of revenue, monthly tax advance payments or the tax itself is collected by tax remitters. Remitters calculate and collect tax advance payments with reference to income from an employment relationship (or similar relationships), from retirement and disability pensions, from social security allowances and from civil law contracts, including manager’s contracts, as well as in the majority of cases from lump-sum taxation.

Taxpayers who receive income from a business activity, lease and tenancy agreements, an employment relationship established abroad, retirement and disability pensions received from abroad and other income with respect to which the remitters are not obliged to calculate advance payments for income tax, are obliged to calculate and pay tax advances without summons during the year.

Self-calculation of tax also applies when establishing the income tax due for the entire tax year, provided that a remitter of tax has not been designated to calculate the tax. When submitting annual tax statements, taxpayers who keep accounting books are obliged to attach financial statements which should include at least the balance sheet and the profit and loss account.

Taxpayers who decided to apply a flat-rate tax (19%) to their income from a business activity, are subject to the general rules concerning submission of annual tax statements. However, for the purposes of calculating the tax, these taxpayers are not entitled to aggregate their income subject to the flat-rate tax with the income subject to personal taxation according to the general rules.

Furthermore, the PIT Act provides for a simplified form of calculation and payment of tax advances i.e. for 1/12 of the tax amount shown in the tax return submitted to the tax office in the tax year preceding a given tax year or in the tax year preceding a given tax year by two years.

'Small entrepreneurs' who launch business activities may benefit from the so-called tax credit. This is a relief consisting in deferral of payment regarding tax on income generated in the first tax year. The taxpayer is also relieved from filing tax returns for that year. The tax due with reference to such income should be paid by taxpayers in instalments within the next five consecutive years.

DIVIDENDS, INTEREST, ROYALTIES AND CAPITAL GAINS

Dividends abroad are subject to a 19% withholding tax (interest and royalties at 20%), unless the relevant tax treaty states otherwise. There is no withholding tax when dividends are paid to a company which has a seat in another EU country. Since 1 July 2013 the same applies to payments of interest and royalties paid to shareholders. Conditions which should be fulfilled are outlined in the 'Tax Rates' section. Capital gains related to the sale of shares are not combined with other types of income and are subject to a 19% PIT rate.

BANKING TAX

LEGAL BASIS

National Law – the act on Tax on some Financial Institutions of 15 January 2016 (Journal of Laws, item 68)

SUBJECTS OF TAXATION

Due to the act's draft, the subject of taxation are assets of the financial institutions.

The entities of Banking Tax Act are:

- National banks
- Foreign bank's agencies
- Other national and foreign credit institutions
- Social savings and loans association
- Lending institutions
- Foreign Lending institution's agencies
- Assurance institutions
- Foreign assurance institution's agencies
- Reassurance institutions

- Foreign reinsurance institution's agencies

OBJECTS OF TAXATION

According to the Polish Tax on some Financial Institutions (the 'Banking tax'), Banking Tax applies to the following grounds:

- In case of National banks, Foreign bank's agencies, Other national and foreign credit institutions, Social savings and loans association – value of assets above 4 billion PLN
- In case of Foreign Lending institution's agencies, Assurance institutions, Foreign assurance institution's agencies, Reinsurance institutions, Foreign reinsurance institution's agencies – 2 billion PLN
- In case of Lending institutions – value of assets above 200 million PLN

TAX GROUND AND TAX RATE

Due to the act's draft, the subject of taxation are assets of the financial institutions.

Tax rate equals 0,0366% of the taxation ground per month.

VALUE ADDED TAX (VAT)

LEGAL BASIS

Legal provisions governing VAT issues are divided and set out in two groups, by:

- 1) Community law – in particular, the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax
- 2) National law – the act on Tax on Goods and Services of 11 March 2004 r. (Journal of Laws No 54, item 535, with amendments) and over 30 executive decrees

SCOPE OF VAT

According to the Polish Tax on Goods and Services Act (the 'VAT Act'), VAT applies to the following transactions:

- Supply of goods and services for consideration in Poland
- Export of goods outside the EU
- Import of goods from outside the EU
- Intra-community acquisition of goods for consideration in Poland
- Intra-community supply of goods

The following transactions are outside the scope of VAT:

- Disposal of a business as a going concern, or an organised part of it
- Acts that cannot be made on the basis of a legally binding agreement

It is obligatory to register the sale of goods or services to a natural person in fiscal registers (*kasa fiskalna*).

TAXPAYERS

According to the VAT Act, taxpayers are defined as legal entities, organisational units or individuals independently carrying out any commercial activity, irrespective of the purpose or result of that activity.

For employees under contracts of employment or persons providing services under 'ad-hoc' agreements (if that relationship is similar to employment given the working conditions), remuneration and the employer's liability are outside the scope of VAT.

VAT REGISTRATION

Entities should register for VAT before they first conduct any taxable activity. As a result of registration, an entity acquires active VAT payer status.

If the taxpayer plans to carry out intra-community transactions, it is additionally required to register as an EU VAT payer.

Some taxpayers are exempt from the requirement to account for VAT. This exemption applies to taxpayers whose annual taxable sales do not exceed PLN 150,000.

Foreign VAT payers can be registered for VAT purposes in Poland and have the same obligations as local VAT payers.

VAT payers from outside the EU must appoint a fiscal representative, who is jointly liable with the entity.

PLACE OF SUPPLY RULES (SERVICES)

Since 2010, new rules apply for identifying the place of supply for VAT purposes. In principle, the place of the supply of services is the place where the purchaser of the service has established their business, another fixed place of business, or place of residence. However, there are some special rules for identifying the place of supply, including those that concern:

- Services connected with immovable property – the place of supply is the location of the property
- Transportation services – the place of supply is the place where the transport takes place, having regard to distances covered
- Artistic, sport, educational, science services rendered for VAT payers, services supporting transport services, services concerning movable property or evaluation of such property, catering and restaurant services – the place of supply is the place where the service is actually performed
- Services provided for non-VAT payers – the place of residence/registered office of the supplier (though there are many exceptions, i.e. with regards to intangible services for non-VAT payers, which are taxed in the place of residence/registered office of a purchaser who is a non-VAT payer)

VAT RATES AND TAXABLE BASE

The VAT Act prescribes the following rates of VAT:

- A standard rate of 23%
- A reduced rate of 8%
- A zero rate (with the right to deduct input VAT)
- A transitional reduced rate of 5%

The taxable base for VAT is calculated as turnover net of output tax. This tax base must be raised by any grants and subsidies received and reduced by rebates and documented /legally acceptable discounts.

With regards to the import of goods, the taxable base is the customs value with the addition of all customs duties, including excise duties where relevant.

The taxable base for intra-community acquisition of goods is the amount the purchaser is obliged to pay.

TAX POINT – GENERAL RULES

The default rule provided by the VAT Act is that a tax point arises when goods are released or services are completed. In practice, this rule is rarely relevant as it only applies to transactions with natural persons acting in a non-commercial capacity.

In most cases, the tax point is the time when an invoice is issued, which may be no more than seven days after goods have been released or services completed. For some supplies the tax point is established by separate rules (e.g. electricity, telecommunications, construction, transport, leasing).

The tax point for an advance payment is the date on which payment is received.

INTRA-COMMUNITY TRANSACTIONS, EXPORT AND IMPORT OF GOODS

When goods are imported, tax is chargeable when customs liability is incurred.

Since December 2008, for export of goods, the tax point is established according to the general rule described above.

For the intra-community supply and acquisition of goods, tax is chargeable on the 15th day of the month following the month in which the goods were supplied, unless the invoice documenting the transaction was issued before that time.

RECOVERY OF INPUT VAT - GENERAL RULES

A taxpayer is allowed to recover input tax charged on goods and services supplied to him/her, which he/she later uses in their taxable business. Generally, recovery is made by the deduction of input tax from output tax. In some situations, input tax is not recoverable (e.g. for a purchase of fuel, personal cars, hotel services, gastronomy) or it is only partially recoverable (e.g. for the purchase of a passenger car).

Since 2008, taxpayers have not been allowed to deduct input tax from invoices documenting transactions that are not subject to VAT or are VAT exempt, even where the amount resulting from the invoice was paid. Effective from December 2008, the deduction of input VAT is no longer dependent on the qualification of expenditures as tax-deductible costs for the purpose of income tax.

REFUND OF VAT

The normal term for tax refunds is 60 days (if there are sales in the month of VAT settlement). In some situations, this period may be reduced to 25 days (when all purchase invoices with VAT were paid). Under certain circumstances, an advance refund of VAT is possible. If sales do not exist, VAT can be refunded in 180 days.

Surplus input tax may also be credited against the taxpayer's future VAT liabilities.

VAT RETURNS AND TAX PAYMENT

As a rule, VAT is settled on a monthly basis. However it is possible to choose to settle VAT on a quarterly basis. This option is primarily envisaged to be used by 'small taxpayers' with a turnover in the previous year not exceeding EUR 1,200,00 as of 1 January 2009, though it is accessible for all taxpayers.

Tax returns shall be submitted to a relevant tax office up to the 25th day of the month following each month or each quarter. Up to this date, a payment of tax for a given settlement period shall be made into the account of the tax office. Starting from 1 January 2009, entities other than 'small taxpayers' are entitled to submit quarterly returns but are obliged to pay tax – either in the form of a lump sum or resulting from the settlement – on a monthly basis within 25 days of the month following the month settled.

REVERSE CHARGE

As of 1 April 2011, a reverse charge mechanism has been in place, the purpose of which is to facilitate VAT settlement. It has become a general rule in cases where a certain activity is taxable in Poland but the supplier of goods or services does not have a residence or a fixed place for conducting business in Poland. As a rule, in such cases, VAT is settled by the purchaser of services with VAT-payer status or the purchaser of goods with VAT-payer status with a seat, residence or fixed place of business in Poland.

This mechanism applies also when services are rendered for clients having a seat or place of permanent activity abroad (in the EU or outside the EU) and when goods are delivered to another EU country.

An exclusion to this rule refers, among others, to services related to real estate – a 'foreign' entity registered in Poland for VAT purposes is entitled to issue invoices with 'Polish' output VAT. In this case, the service purchaser is exempt from the obligation to apply the reverse-charge procedure.

Since 1 April 2013, this mechanism cannot be used when a foreign entity is registered for VAT in Poland and sells goods to Polish residents.

EXCISE DUTY

SCOPE OF APPLICATION

In March 2009, a new Excise Act came into force. According to the new legislation, the following groups of goods are subject to excise tax:

- Cigarettes and other tobacco products
- Alcohol
- Oils and energy (jointly considered as 'excise goods')
- Passenger cars

The aforementioned excise goods form a special group of products taxed with excises according to common rules applying all over the EU. Cars are taxed on the basis of Polish legislative decisions. Under Polish excise regulations, the following transactions are subject to tax:

- Production of excise goods
- Release of excise goods from a bonded warehouse
- Sale of excise goods in Poland

- Export and import of excise goods
- Intra-community acquisition and supply of excise goods
- Imports or intra-community acquisition of passenger cars unregistered in Poland, or first sale of a passenger car in Poland

There are certain specific institutions where a unique excise tax applies (such as bonded warehouses, registered traders, transfer companies of excise goods in the course of excise-suspending procedures, excise securities etc.)

Some excise products (e.g. wines and spirits, cigarettes etc.) are subject to a special procedure that involves sealing them with fiscal seals.

There are three methods of calculating excise tax rates:

- On a value basis i.e. a percentage of the value of goods (e.g. cars)
- On a volume basis i.e. a fixed rate per unit of product (e.g. oils, alcoholic beverages)
- Mixed method (a combination of the above methods, e.g. cigarettes)

In the case of many goods subject to duty, tax constitutes the most significant proportion of their price.

REAL ESTATE TAXES AND FEES

TAXES ON TURNOVER (VAT, CTT)

The supply of real estate property is, in principle, subject to VAT calculated on the value of land and buildings alike. The standard rate of VAT for such transactions is 23%, though a preferential rate of 8% applies to some transactions.

The supply of residential development, or parts thereof (but not commercial premises), will be taxed at 8% if the usable area of the residential premises does not exceed 150 square meters, or 300 square meters with respect to houses.

The supply of buildings and structures after their 'first domiciliation' (understood as the giving for use of buildings, structures or their parts in the course of their VAT supply to their first purchaser or user after their construction or any improvement exceeding 30% of their value established for tax depreciation purposes), is VAT exempt if the period between the first domiciliation and subsequent supply exceeded at least two years. If these conditions are not met, the supply of buildings and structures can also be exempted from VAT assuming that the seller had no right to deduct VAT on the purchase of such a building/ structure and the improvements to the building/structure did not exceed 30% of the value established for tax depreciation purposes (unless improvements were utilised for at least five years). However, parties to the transaction may opt for taxation in VAT of such supply if both parties are registered VAT payers and note their intention to the proper tax authority.

If one of the parties to a transaction concerning the sale of real estate is acting as a VAT payer, the transaction will be exempted from the Civil Transaction Tax (CTT). However, if the transaction is exempt from VAT, it will be subject to CTT. Transactions between individuals acting in a non-commercial capacity will be subject to CTT at 2% of the transaction value.

Effective 1 December 2008, in-kind contributions of real estate properties are, in principle, subject to VAT as a supply of goods at the VAT rate applicable for contributed real property (this does not apply to situations where contributed real property is VAT exempt under VAT regulations).

INCOME TAX

In the majority of cases, income derived from the disposal of real estate property will be subject to income tax. The general rule is that the disposal of real property will be taxed at 19% where an individual, acting in a non-commercial capacity, sells property.

Depending on the circumstances, the tax liability on the disposal of real estate property will be calculated on one of the following bases for property:

- After five years from the end of the calendar year in which the real estate property was purchased or developed – no tax
- Purchased or developed before 31 December 2006 (if the rule from the preceding bullet point cannot yet be applied), in the case of re-investing funds from any sale for the taxpayer's 'residential purposes' (indicated in the PIT Act) – no or reduced tax (proportional to the percentage of re-invested funds from the sale)
- Purchased or developed between 1 January 2007 and 31 December 2008, where the owner has been registered for administrative purposes as resident for more than 12 months before the sale – no tax
- Purchased or developed after 31 December 2008, where re-investing funds from the sale for the taxpayer's own 'residential purposes' (indicated in the PIT Act) – no or reduced tax (proportional to the percentage of re-invested funds from the sale)

Where an individual sells property acquired for business purposes, a flat tax at 19% or progressive tax at rates of 18% or 32% apply (depending upon which scheme the taxpayer has elected to follow).

For entities subject to corporate income tax, the disposal of real estate property will be taxed at 19%. Buildings and structures qualify for tax depreciation. The standard rate of amortisation for buildings is 2.5% per year over a period of 40 years. Where residential buildings/premises were used prior to their acquisition by a taxpayer and for more than five years, a taxpayer is entitled to claim an accelerated rate of amortisation of 10% per year over a period of ten years.

In the case of commercial buildings/premises, a 40-year tax depreciation period may be reduced by each full year from the year in which the properties were first entered into the fixed assets register, though the period cannot be shorter than ten years.

REAL ESTATE TAX

Real estate tax is levied on land, buildings, structures and construction equipment. The rate of tax for a given locality is determined by the municipal authority, up to a maximum imposed by the Local Taxes Act which regulates this tax.

When setting the rate of real estate tax, a municipal authority is obliged to consider the following aspects of the property:

- Its location
- The activity carried out there

- The type of development
- Its designated use
- The method for exploiting the land

The authority has the power to grant some exemptions from real estate tax (where they are not provided for by the Local Taxes Act).

CIVIL TRANSACTION TAX (CTT)

GENERAL INFORMATION

Civil transaction tax (CTT or *podatek od czynności cywilno-prawnych – PCC*) is levied on agreements not related to commercial turnover. The following transactions and civil law actions fall within the scope of the tax (closed list):

- Sale (exchange) of goods and property rights
- Loan agreements
- Donation agreements (if they involve the acquisition of debts)
- Annuity contracts
- Agreements on the division of a deceased's estate
- Mortgage contracts
- Grants of usufruct for consideration of irregular deposit agreements
- Articles of association, where the following events are treated as changes to the articles of association:
 - An increase in a company's initial capital or the assets of a partnership
 - Additional contributions by shareholders
 - Loans granted by partners to a partnership transformation, merger or division of a company or companies, resulting in an increase in their initial capital
 - The transfer to Poland from a country other than an EU member state of an effective place of management if the registered office is not located within an EU member state, even if such an activity does not involve an increase in the share capital of a company

TAX RATES

The rate of CTT differs according to the type of transaction:

- Sale (exchange) of goods and property rights connected with real estate (i.e. perpetual usufruct or ownership), loan agreements and irregular deposit agreements – 2%
- Articles of association and their changes – 0.5%
- Sale (exchange) of other property rights – 1%

EXEMPTIONS

The CTT Act prescribes a long list of exemptions from tax, including:

- Sale of foreign currency
- Sale of movable property with a value below PLN 1,000
- Sale of securities to or through brokerages or banks offering brokerage services certain types of loans (e.g. those granted by foreign financial institutions or by shareholders to companies and loans granted by partners to partnerships are subject to 0.5% CTT)
- Articles of association and amendments connected with the transformation or merger of a company if the value of the increase in share capital was previously subject to civil CTT or indirect taxes on the raising of capital levied in other EU member states.

In principle, transactions where at least one of the parties acts as a VAT payer are not subject to CTT. This rule, however, does not apply to sale transactions of real estate property and articles of association, if the transaction is VAT exempt.

Since 2009, contributions in-kind of enterprises or their organised parts, the transfer of packages of shares giving a majority of voting power in a company (calculated jointly with shares already held by the purchaser), as well as share capital changes related with mergers of companies or transformations of companies into other types of company, are all out of the scope of CTT. The CTT Act also prescribes some discretionary exemptions covering entities such as charities, disabled persons (to meet rehabilitation needs), foreign diplomats and public sector units.

SETTLEMENT OF TAX

In principle, the obligation to pay CTT rests with the party that is considered the taxpayer under the provisions of the CTT Act. A declaration should be filed and tax should be paid to the relevant tax office within 14 days of the transaction. Where a transaction is made before a notary, he/she will remit CTT and is obliged to account for the tax.

TAX ON MEANS OF TRANSPORT

Tax on means of transport is related to the ownership and use of specific means of transport, except personal cars. Taxpayers are naturalised and legal persons who are owners of the means of transport. Organisational units having no legal personality (e.g. partnerships), under whose name the means of transport were registered, are also considered as owners.

TAX ON RETAIL SALES (DRAFT)

THE ISSUE OF BEING IN FORCE

By now, the act is only a draft, but it is highly certain that the Tax on Retail Sales Act will be in force by the half of the year (2016).

LEGAL BASIS

Tax on Retail Sales Act (draft) of 2 February 2016 published on Centre for Government Legislation website (www.rcl.gov.pl) .

TAXPAYERS

The objects who are obliged to pay in retail sales tax are sales networks and independent retail sellers. According to the act, sales network is defined as the group of objects which consist of franchisor and retail sellers entitled to use the trade mark. Independent retail sellers are legal persons, organisational unit without legal identity or natural persons who run retail sale.

TAX RATES

The rate of retail sales tax differs according to the amount of accrued revenue and date when the revenue has appeared:

- Revenues gained on Monday, Tuesday, Wednesday, Thursday, Friday:
 - 0,7% for the revenues below the amount of 300 million PLN
 - 1,3% for the revenues above the amount of 300 million PLN
- Revenues gained on Saturday, Sunday and other holydays:
 - 1,3% for the revenues below the amount of 300 million PLN

- 1,9% for the revenues above the amount of 300 million PLN

EXEPTIONS

Taxpayers who reach revenues below the amount 1,5 million PLN per month are released from tax duty. Released are also pharmacies in the part of revenues gained from the drug and special purpose food sale. The subject of taxation are the revenues above the amount of 1.5 million PLN (released amount).

COLLECTION OF TAX

Taxpayers are obliged to calculate and pay in the amount of tax till 25th of the next month after the month in which the revenue has appeared.

INTERNATIONAL AGREEMENTS

INTERNATIONAL TREATIES

Tax rates may be lower under double taxation treaties concluded with the country in which the taxpayer's registered office or management board is located. Poland has signed double taxation treaties with over 60 nations including the UK, US and Germany.

CERTIFICATE OF RESIDENCE

Tax rates envisaged in the double taxation treaties may be applied only if a taxpayer holds a certificate of residency issued by the given country's tax authorities. This certificate confirms that the foreigner has residency in a country with which Poland has concluded a double taxation treaty, under which tax preferences are granted. A translator should translate the documents into Polish. A certificate of residency is valid for one year from the date of its issue.

TAX REPRESENTATIVE

Entities with no registered office in Poland, nor fixed place of business, nor permanent place of residence, are under an obligation to register for VAT purposes in Poland as so-called 'active VAT taxpayers' and are obliged to appoint a tax representative in Poland.

The tax representative is jointly and severally liable with the taxpayer he/she represents for all VAT liabilities. This means that tax authorities may claim possible tax arrears from the taxpayer, the tax representative or the taxpayer and tax representative jointly.

The obligation to appoint a tax representative does not apply where the taxpayer who performs VAT applicable activities is an entity with a registered office, fixed place of business or permanent place of residence in the territory of an EU member state.

7 – ACCOUNTING & REPORTING

ACCOUNTING REGULATIONS & COMPANY FINANCIAL STATEMENT

The basic source of the Polish accounting law is the Accounting Act of 29.09.1994. Since its effectiveness on 01.01.1995, the Act has been repeatedly amended and is still subject to continuous alterations as a result of adjusting the Act to the changing international accounting standards (IAS/IFRS). In addition, there are dozens of regulations of the Council of Ministers and the Minister of Finance as regards detailed accounting principles as well as several executive regulations to the Accounting Act itself.

All accounting (documentation, records and reports) must be prepared in Polish and maintained in the Polish currency. Only the primary documents need be translated into Polish. However, at the request of the control authorities or an auditor, a reliable translation of indicated book-keeping vouchers made out in a foreign language shall be provided. All primary documents, records and reports for the last five years of activity (including tax returns) must be held by the company. The approved annual financial statements must be retained permanently.

Entities must apply the accounting principles provided for in the Accounting Act to ensure a true and fair presentation of their property and financial position, as well as their financial results. Events including business transactions must be entered into accounting books and shown in the financial statements according to their business nature. In the application of the accounting rules, an entity may adopt certain simplifications, provided that these do not significantly affect the attainment of the above objectives.

The manager of an entity is responsible for the fulfilment of duties regarding accounting.

THE SUBJECTIVE SCOPE OF THE ACT

The subjective scope of the Accounting Act shall apply to the entities whose registered offices or place of executive management are located on the territory of the Republic of Poland:

- 1) commercial companies (the entities established on the basis of the Code of Commercial Companies), partnerships and companies including those in the process of setting up, and civil partnerships as well as other legal persons, except for the State Treasury and the National Bank of Poland,
- 2) natural persons, civil partnerships established by natural persons, general partnerships established by natural persons and professional partnerships, if their net revenue from the sales of goods for resale, finished goods and financial transactions for the prior financial year amounted to at least the Polish zloty equivalent of EUR 1.200.000 – in the case when whose requirements are not met but the entity still wants to apply the accounting principles specified in the Accounting Act, these persons or partners are required to notify, before the beginning of the financial year, the tax office relevant to income tax matters,
- 3) business unites which operate on the basis of the Banking Law, regulations on trading in securities, investment fund regulations, insurance regulations or regulations on the organization and operation of pension funds, irrespective of their revenue,
- 4) communes, districts, provinces and their associations.

Entities which prepare their financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission, hereinafter referred to as “IAS”, shall conform to the provisions of the Act and its related secondary legislation, in matters not regulated by IAS.

In general, financial statements include:

- a balance sheet,
- a profit and loss account,
- notes to the financial statements, including an introduction to the financial statements as well as additional notes and explanations.

Financial statements of entities which are subject to annual audits also include:

- a statement of changes in equity (in the case of investment funds – a statement of changes in net assets),
- a cash flow statement.

In the case of limited liability and joint stock companies, limited joint stock partnerships, mutual insurance companies, co-operatives, state-owned enterprises, the entity’s manager shall prepare an annual report, together with the annual financial statements. This document should include material information on the property and financial position, including a performance assessment and an identification of risks and a description of threats.

The Accounting Act defines micro enterprises as commercial companies (the entities established on the basis of the Code of Commercial Companies), partnerships and companies including those in the process of setting up, and civil partnerships as well as other legal persons, except for the State Treasury and the National Bank of Poland, other legal persons, as well as branches of foreign entities for which, in relation to both the current and preceding financial year, at least two of the following three criteria are present:

- total assets at the reporting date not exceeding 1.5 million PLN,
- net revenue from sales of merchandise and products (excluding financial income) for the financial year not exceeding 3 million PLN,
- average headcount for the year of not more than 10 persons (calculated on a full-time job equivalent basis).

Also covered by the definition of a micro entity are entities such as associations, foundations, trade unions, representative offices (unless operating as businesses), as well as natural persons, partnerships of natural persons, professional partnerships - if their net revenues from the sales of merchandise, products and financial income for the preceding financial year were between the PLN equivalent of 1.2 million euro and 2 million euro.

Micro entities will be allowed to prepare their financial statements in a simplified format, including an abbreviated balance sheet (with only selected basic items presented) and an abbreviated statement of profit or loss, accompanied by limited supporting information. This category of entities will also be relieved from the obligation to prepare supplementary disclosures and the report on the entity’s activities, as long as the above- discussed supporting information is included in the financial statements.

In addition, for simplification, the option to measure assets and liabilities at fair value or amortized cost will not be available to micro entities. Certain categories of micro entities will also be allowed not to apply the principle of prudence in measuring their assets and liabilities.

DEADLINES OF PREPARING FINANCIAL STATEMENTS AND INSTITUTIONS TO WHICH FINANCIAL STATEMENTS SHALL BE FILED WITH

The entity's manager shall ensure that the annual financial statements are prepared within three months from the balance sheet date and shall present them to the relevant authorities, in accordance with applicable legal regulations and the provisions of the entity's articles of association or deed.

The annual financial statements of an entity shall be approved by the approving body, within 6 months from the balance sheet date.

In accordance with the Corporate Income Tax Act the entities that are required to prepare financial statements must submit them together with independent auditor's opinion and supplementary report to the opinion on audit of the financial statements and the copy of the resolution approving the financial statement to the relevant tax office within 10 days from the date of the annual financial statements approval.

On the other hand, the application to the National Court Register with the financial statement, copy of the resolution and the auditor's opinion – if required – should be submitted to the party within 15 days from the date of the annual financial statements approval.

Consolidated annual financial reports of companies listed on the stock exchange and banks (obligatory) or belonging to international groups (voluntary according to the resolution of shareholders) are prepared according to International Financial Reporting Standards.

AUDIT OF THE FINANCIAL STATEMENTS

According to the Polish Accounting Act examination of the financial statements by the auditor is mandatory for:

- banks and insurers,
- entities which operate on the basis of regulations on trading in securities and regulations on investment funds, pension funds,
- joint stock companies, except for companies which are in the setting-up progress as at the balance sheet date,
- other entities which in the prior financial year for which the financial statement was prepared, met at least two of the following conditions:
 - the average annual number of employees, by full-time equivalents, reached or exceeded a level of 50 persons,
 - total assets as at the end of the financial year reached or exceeded the Polish currency equivalent of EUR 2.500.000,
 - net sales of products and goods for resale, plus income on financial transactions for the financial year reached or exceeded the Polish currency equivalent of EUR 5.000.000.

An audit must be conducted before the financial statements are accepted at the meeting of shareholders and must be performed by an independent entity licensed to perform audits.

FINANCIAL STATEMENTS OF CONSOLIDATED ENTITIES

ELEMENTS OF CONSOLIDATED FINANCIAL STATEMENT

The obligation to prepare consolidated financial statements relates to parent holding companies. Consolidated financial statements include the following:

- a consolidated balance sheet,
- a consolidated profit and loss account,
- a consolidated cash flow statement,
- a statement of changes in consolidated equity,
- notes to the consolidated financial statements.

An annual report of the capital group shall be enclosed to the annual consolidated financial statements of the group.

EXEMPTION FROM PREPARING CONSOLIDATED FINANCIAL STATEMENT

The Act provides the possibility to exempt an entity from preparation of consolidated financial statements. In particular, note the following condition relating to the level of employment, the balance sheet and income. A parent company is not obliged to prepare consolidated financial statements, if as at the balance sheet date of the financial year and as at the balance sheet date of prior financial year, the total data of the parent company and all of its subsidiaries at every level (before consolidation eliminations) meet at least two of the following criteria:

- average annual number of employees, by full-time equivalents, did not exceed 250 persons,
- total assets did not exceed the Polish currency equivalent of EUR 7.500,000,
- total net sales of products and goods for resale, plus income on financial transactions did not exceed the Polish currency equivalent of EUR 15.000.000.

8 – UHY REPRESENTATION IN POLAND

UHY ECA GROUP

Established in 2006 UHY ECA is a dynamically developing group which provides comprehensive services in the areas of auditing, taxes, accounting and stock exchange consulting. UHY ECA experts support Clients in solving their tax problems and provide them with auditing, stock exchange consulting and accounting services as well as training. We endeavour to draw on the best of our experience, combining high quality services and professionalism with independence. Relationships with our Clients are based on partnership and mutual trust.

Our strong market position and the trust earned among our Clients put us in 7th place of the prestigious Auditors Ranking in 2015 prepared by the Rzeczpospolita daily. UHY ECA is also listed on the NewConnect and is a partner company of the Warsaw Stock Exchange in the area of audits of small- and medium-sized enterprises.

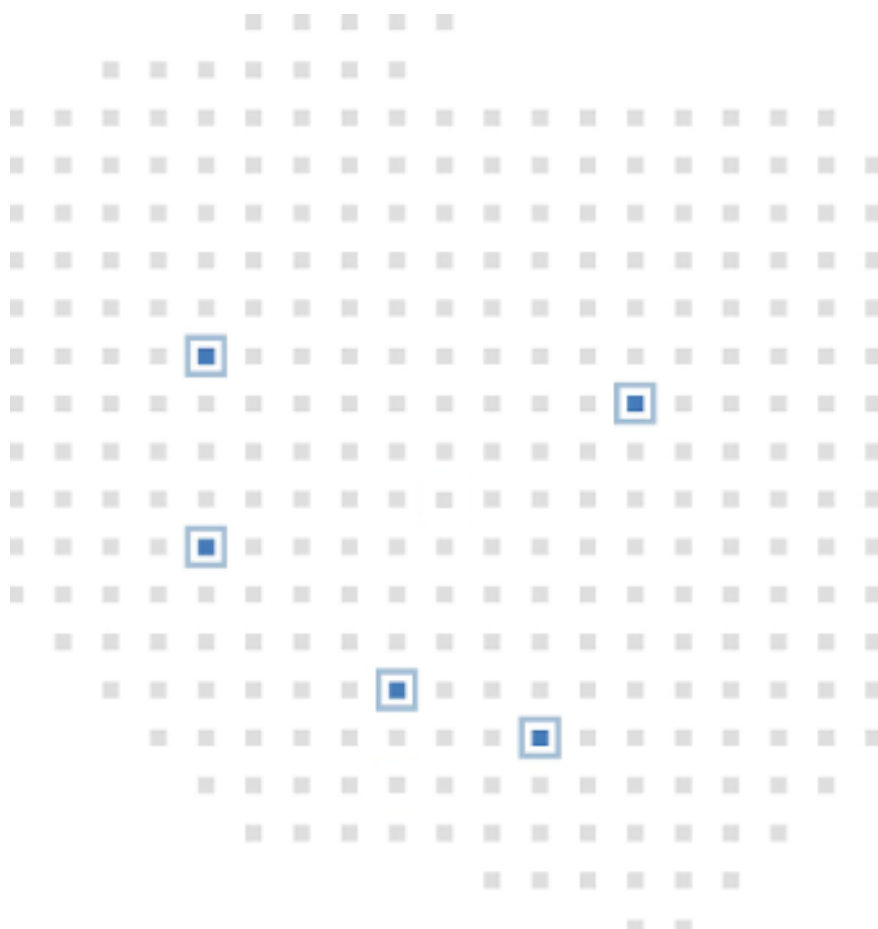
We are successful in providing services in foreign languages: English and German. We have experts prepared to provide services under various standards, including PAS, IAS/IFRS, HGB and US GAAP, so we also provide services to clients with foreign capital. We guarantee a stable audit team working directly in the Client's office.

We have 5 offices in major business centres around the Poland (listed below), providing a full range of tax, accounting and business advisory services to personal and corporate clients, including:

- Audit
- Tax Consulting
- Tax claim & tax litigation
- Transfer pricing
- Accounting Services
- Training
- Business Consulting
- Financial Planning
- Corporate reorganization
- Forensic accounting
- Mergers & Acquisitions
- Due diligence
- Valuation of Business and Shares

Expanding your business abroad is a big step. We look forward to helping you achieve your further business success in Poland.

UHY ECA OFFICES



- Kraków
- Warszawa
- Poznań
- Wrocław
- Zabrze

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SOCIAL MEDIA CONNECTIONS

- Facebook: <https://www.facebook.com/ECA-Group-1533001533620503/>
- LinkedIn: <https://www.linkedin.com/company/eca-poland>

Year established: 2006
Number of partners: 6
Total staff: 80

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Phone: +48 71 725 91 20



The network
for doing
business

BRIEF DESCRIPTION OF FIRM

ECA is a dynamically developing group which provides comprehensive services in the areas of auditing, taxes, accounting and stock exchange consulting.

ECA experts support Clients in solving their tax problems and provide them with auditing, stock exchange consulting and accounting services as well as training. We endeavour to draw on the best of our experience, combining high quality services and professionalism with independence. Relationships with our Clients are based on partnership and mutual trust. Our strong market position and the trust earned among our Clients put us in 8th place of the prestigious Auditors' Ranking in 2014 prepared by the Rzeczpospolita daily. The Ranking indicates that we are an alternative to the largest international audit companies.

ECA Group is listed on the NewConnect market and holds the certificate of an authorized NewConnect market advisor and is a partner company of the Warsaw Stock Exchange in the area of audits of small- and medium-sized enterprises.

We are successful in providing services in foreign languages: English and German. We have experts prepared to provide services under various standards, including PAS, IAS/IFRS, HGB and US GAAP, so we also provide services to clients with foreign capital. We guarantee a stable audit team working directly in the Client's office.

SERVICE AREAS

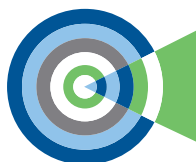
- Audit
- Tax Consulting
- Accounting Services
- Training
- Business Consulting

SPECIALIST SERVICE AREAS

- IFRS
- Transfer pricing
- International tax consultancy
- Tax claim & tax litigation
- Corporate reorganization
- Forensic accounting
- Due diligence
- Valuation of Business and Shares
- Mergers & Acquisitions
- Financial Planning
- Business outsourcing

PRINCIPAL OPERATING SECTORS

Construction
Distributors
Engineering
Financial Services
Industrial Products
Insurance
Real Estate and Rental and Leasing
Retail





LANGUAGES

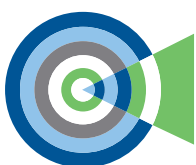
- Polish (national)
- English
- German

CURRENT PRINCIPAL CLIENTS

- The Emperia Holding S.A. Group
- The Europejskie Centrum Odszkodowań S.A. Group
- The RADPOL S.A. Group
- The INC S.A. GROUP
- The Komputronik S.A. Group
- The Zakłady Mięsne Henryk Kania S.A. Group
- The ZPUE S.A. Group
- The AB S.A. Group
- The Impera Capital S.A. Group
- The KERDOS S.A. Group
- The Zakłady Przemysłu Cukierniczego Otmuchów S.A. Group
- The Alta S.A. Group
- The POZBUD T&R S.A. Group

BRIEF HISTORY OF FIRM

ECA S.A. was established as a result of the merger of Auxilium S.A., operating uninterruptedly since 1995, and ECA Group established in 2006.





CONTACT DETAILS

Biuro Audytorskie Sadren Sp. z o.o.
Srebrna 16
1st Floor
Warsaw
Poland
Tel: +48 22 621 72 16
Fax: +48 22 625 11 31
www.sadren.com.pl

Year established: 1989
Number of partners: 3
Total staff: 29

CONTACTS

Liaison contact: Wieslaw Lesniewski
Position: Managing Partner
Email: w.lesniewski@sadren.com.pl

Liaison contact: Wojciech Sadren
Email: w.sadren@sadren.com.pl

BRIEF DESCRIPTION OF FIRM

Biuro Audytorskie SADREN Sp. z o.o. is one of the largest accounting and auditing companies in Poland. The firm is registered as a statutory auditor with the National Council of Statutory Auditors and authorised by it to perform statutory audits of financial statements.

With over 30 staff, Sadren provides different services, mainly in auditing and accounting for more than 200 clients. Among our clients are private and state-owned companies as well as international companies doing business in Poland. Together with co-operating with us notaries, lawyers, advisors and other specialist we provide wide range of services for our clients starting from establishment of business through its day to day support till process of liquidation of activity in Poland.

SERVICE AREAS

Bookkeeping and accounting
Auditing
Corporate and personal tax
VAT settlements and claims
Payroll services
Financial advisory services
Management of accounts
Trainings
Economic and financial analysis
Due diligence,
Valuations of business within privatisation or restructuring procedures

SPECIALIST SERVICE AREAS

Foundation of foreign-owned companies
Not-for-profit organisations
Auditing and controlling of use of EU funds
Investigations to support management decisions
Assisting clients in changing the legal set up of their business activities, e.g. transformation of branches/partnerships into corporations or vice versa
Trusteeships as well as business appraisals



The network
for doing
business



PRINCIPAL OPERATING SECTORS

Construction
Real estate
Health care
Printing industry
Commerce
Education

LANGUAGES

Polish, English, Russian.

CURRENT PRINCIPAL CLIENTS

Prevoir – Vie Groupe Prevoir S.A.
Lindab Sp. z o.o.
Politechnika Warszawska /Warsaw University of Technology
Naczelna Izba Lekarska / The Polish Chamber of Physicians and Dentists
Addit Sp. z o.o.
Asus Polska Sp. z o.o.
Teknosystem Sp.z o.o.
Verizon Polska Sp. Z o.o.
Hamon Polska Sp.z o.o.
Dexxon Poland Sp.z o.o.
Rheinzink Polska Sp.z o.o.
Narodowe Centrum Badań i Rozwoju /The National Centre for Research and Development

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Czech Republic, Finland, France, Germany, Israel, Netherlands, Norway, Portugal, Sweden, Switzerland, UK, USA.

BRIEF HISTORY OF FIRM

The company was founded in 1989 by its former president, auditor Marek Sadren, and his team of chartered accountants, whose aim was to establish a dynamic staff of professionals. A sharp increase in demand for accounting services in the rapidly changing Polish business environment and the high level of services rendered led to the rapid development of the company. Sadren has become one of the largest audit and accountancy companies in Poland. We employ now more than 30 staff, of which 5 are statutory auditors, and have more than 200 clients on our books.

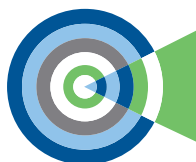
Since 1993 Sadren has been registered on the list of auditors authorised by the National Council of Registered Auditors and is a member of the Association of Accountants in Poland and National Chamber of Statutory Auditors.

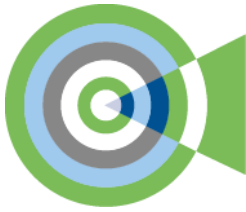
In September 2007 Sadren was entered on the list of authorised advisers in the Alternative Trading System on the NewConnect market of Warsaw Stock Exchange.

Sadren is a well-known and reputable Polish auditing and accountancy firm with an annual turnover of over USD 1 million.

Our VP since 2001 is a member of Ethics Committee of the National Chamber of Statutory Auditors and the representative of the National Chamber of Statutory Auditors on the Federation des Experts Comptables Europeens (FEE) Ethic Working Group.

The firm joined UHY in 2001.





LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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