

DOING BUSINESS

IN POLAND



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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 around 100 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 August 2021.

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 systems.

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. Poland is a country with a developed, high-income economy and a high quality of life index. It is also the sixth largest economy in the European Union and one of the fastest growing European economies.

According to Eurostat data, Poland is one of the few European countries marking the strongest growth across CEE region. Further investments of EU funds and a stronger expansion in household spending were the main drivers of growth. 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 countries in Central and Eastern Europe (CEE region). Poland has a 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 is growing faster than any region in the world with the exception of Asia Pacific.

CEE and other regions comparative Real GDP growth (annual percent change)

	2017	2018	2019	2020
Eastern Europe	2,9	3,2	2,4	-3,5
Western Europe	2,3	1,8	1,3	-6,9
North America	2,2	2,7	2,0	-4,1
South America	0,6	0,4	-0,1	-6,6
Asia	5,4	4,5	4,5	-1,3

International Monetary Fund (imf.org)

Real GDP Growth by selected countries (annual percent change)

	2017	2018	2019	2020
Poland	4,8	5,1	4,1	-2,7
Hungary	4,1	4,9	4,9	-5,0
Czech Republic	4,4	2,9	2,6	-5,6
Slovakia	3,2	4,1	2,3	-5,2
Romania	4,7	4,1	4,1	-3,9

Source: International Monetary Fund (imf.org)

COUNTRY OVERVIEW

Official country name	Republic of Poland
Population	38.26 million
Area	312,679 square kilometres
Population density	122 people per square kilometres
Language	Polish
Religion and	Roman Catholic (91,9%), Protestant, Russian Orthodox other (8,1%)
Largest cities (population)	Warszawa (Warsaw) – capital 1,794,166, Kraków 779,966 Łódź 672,185.
Member of	NATO, OECD, WTO, Council of Europe
Currency	Polish złoty (PLN)
Currency exchange rates	2019 yearly average rates: USD 1 = PLN 3,8993, EUR 1 = PLN 4,4448

3 – FOREIGN INVESTMENT

INCENTIVES FOR INVESTORS IN POLAND

There are a number of key factors which make Poland especially favourable for investment. The World Bank ranks Poland **40th** out of 190 countries in its [*2020 Doing Business ranking*](#).

Favourable factors include:

- **Market potential**

Poland is huge domestic market with over 38 million consumers – moreover, has access to the EU Single Market of over 450 million consumers and 22.5 million small and medium-sized enterprises (SMEs)..

- **Strategic location at the crossroads of European trade and transport routes**

Poland is located in the very centre of Europe, makes the country a perfect investment destination because it is entry point to other Central and Eastern European (CEE) countries and emerging markets further east. The road infrastructure have been constantly developed and modernised. Development of the country's road infrastructure is one of the Polish government priorities.

- **Young, well-educated workforce**

Foreign investors are attracted to do business in Poland by the young and well educated workforce, competitive labour costs and the high number of graduates of higher education. Poland can boast a huge source of the young and well educated workforce and the high number of graduates of higher education, while labour costs is competitive in regard of Western Europe countries. Each year, over 300 000 Polish students graduate and in terms of foreign languages, particularly younger generation of Poles are ahead of their peers from many European countries - Poland has been ranked at 16th place globally in EF's Global English Proficiency Index. Higher technical schools are more and more popular in Poland, thanks mainly to growing awareness of future students about the market needs and public programs supporting this type of education. Indeed, the number of graduates of Polish technical schools is constantly growing.

- **Special Economic Zones (SEZ)**

Polish SEZs were created in the 1990s and cover selected parts of country, where companies can operate on preferential terms and conditions. Only some of the investment incentives offered in the Polish SEZs are exemption from income tax and real property tax and availability of attractive commercial lands. It is worth to consider all the benefits of operating in the SEZs, particularly in the context of the Polish government's decision about extending their existence – for all 14 SEZs by 31 December 2026.

- **Shared Services Centres and Business Process Outsourcing (SSC/BPO)**

The Shared Services Centres and Business Process Outsourcing (SSC/BPO) sector in Poland is gradually developing and changing - already there is over 1600 SSC/BPO in almost 50 locations, which employ over 355 thousand people in total. The most important for companies establishing and operating SSC is cost reduction by taking advantage of labour arbitrage in low labour-cost countries as well as by simplifying and standardizing their processes. Among the greatest strengths of Poland important for this sector are for sure: well-qualified staff (Polish SSCs provide services in more than 35 languages), competitive labour costs and high quality services. The whole list of potential benefits for SSC/BPO is long and includes also: exemption from the CIT and real estate tax, well-developed infrastructure and availability of office space with good access to airports or the European Union's grants. In recent years, the SSC/BPO industry has annual growth of 10%. In the year of COVID-19 pandemic employment in the sector continued to grow, by 13.5 thousand jobs, i.e. by 3.9 % year on year (compared to form 10% a year earlier). Slowdown in the employment growth dynamics is particularly evident in the centres owned by foreign investors for which they account for 82% of the total number of employees.

After more than a year of the pandemic, Poland strengthened its position business in the region of CEE. It has been recognized as one of the economies most immune to the COVID-19 crisis.

Some stats:

- 11,900,000 sq. m → total amount of modern office space in Poland. The largest office market in the CEE,
- € 11.00- € 16.00 → monthly rental rates per sq. m in the largest regional office markets, in Warsaw, which may even exceed € 24.50.

According to *Tholons Global Innovation Index 2020*, four of the biggest Polish cities has been ranked among the best cities in the world (25th Kraków, 37th Warsaw) and their position in the ranking is constantly growing.

- **EU funds**

EUR 105.8 billion of EU funds are allocated to Poland between 2014 and 2020. The EU funds were mostly spent for infrastructure, environmental and technology projects, human development, regional development.

As recently agreed the EU budget - Multiannual Financial Framework and the European Instrument for Reconstruction for Poland amount to approximately EUR 139 billion in the form of subsidies and EUR 34 billion in loans for the year 2021-2027. The EU funds that Poland will receive are to help rebuild and strengthen the economy after the COVID-19 pandemic situation, as well as allow the implementation of EU goals.

Entrepreneurs conducting business in Poland have at their disposal a wide range of funding sources for investment projects of various types. 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. **The Commercial Companies Code** –regulating the creation, organization, functioning, dissolution, merger, division and transformation of commercial companies.
2. **Act on the National Court Register** – regulating in particular the rules of conducting of the entrepreneurs' register and principles of making an entry thereto.
3. **The Civil Code** - regulating civil law relations between natural persons and legal persons.
4. **The Entrepreneurs Law** - which in general regulates the establishment, running and closing of small businesses in Poland, as well as regulating relevant public administration activities.
5. **Act on Participation Rules of the Foreign Entrepreneurs and Other Foreign Persons in Economic Trade in Poland** – which regulates rules of conducting business activity in Poland by foreigners.
6. **The Accountancy Law** - setting out the accounting principles and principles of conducting business in the area of bookkeeping services.

FOREIGN PERSONS AND ENTREPRENEURS

Act on **Participation** Rules of the Foreign Entrepreneurs and Other Foreign Persons in Economic Trade in Poland defines a foreign person as:

- A natural person permanently residing abroad, without Polish citizenship
- A legal entity 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.

A foreign entrepreneur is a foreign person performing business activity abroad and a Polish citizen performing 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 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, who fulfil additional conditions which should be checked on particular case basis.

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

Which includes the right to acquire participation right to take part in partnerships and to purchase shares in limited liability or joint stock companies.

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 to conduct 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 (what is more common in Poland for foreign entrepreneurs) one of the commercial companies. However the individual business activity of a natural person and civil partnerships are more suitable for Polish persons and for foreign entrepreneurs should choose activity through one of the types of commercial companies.

COMMERCIAL COMPANIES

Under the Polish law there are the following commercial companies: 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). However in this guide we would like to emphasize those most common for foreign entrepreneurs doing business in Poland. The most popular and regularly chosen by foreign investors is the limited liability company, which is great vehicle to start activity in Poland (either through establishing a new company or using it as a SPV for acquisitions). The less popular companies are joint-stock company, limited partnership and limited joint-stock partnership.

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.
Company in organisation	Upon the conclusion of articles of association the limited liability company in organisation is created. Limited liability company in organisation may acquire rights in their own name, incur obligations, sue and be sued.
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's liability	The company is liable for its own debts and obligations with the whole of its assets.
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	In general, the articles of association or the founding deed must be executed in a form of a notarial deed before a notary public in Poland. The company must be registered with the register of entrepreneurs maintained by the National Court Register (Krajowy Rejestr Sądowy – KRS).
Management Board	May consists of foreign persons. The number of persons and manner of representation derives from the company's articles of association.
Supervisory Board	It is not required to establish Supervisory Board in the llc, unless the number of shareholders exceeds 25 and the share capital exceeds PLN 500,000, (instead of the Supervisory Board a Revision Committee can be established).
Foreign investors	No special requirements for foreign investors.

JOINT-STOCK COMPANY (SPÓŁKA AKCYJNA)

Purpose	Established to operate business on a large scale. Capital is 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 notarial 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 not a 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 similar manner as a limited liability company.
Management Board	May consists of foreign persons. The number of persons and manner of representation derives from the company's statute.
Supervisory Board	Must consist of at least 3 member (5 in publicly listed companies) and is appointed for term of office not longer than 5 years.
Foreign investors	No special requirements for foreign investors.

LIMITED JOINT-STOCK PARTNERSHIP (SPÓŁKA KOMANDYTOWO-AKCYJNA)

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 shareholder).
Minimum capital	PLN 50,000
Legal personality	It is not a legal person but upon the provisions of the Commercial Companies Code 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 (the general partner) is liable to creditors for the debts and obligations of the partnership without limitation, 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 form of a notarial deed and signed by all general partners. The partnership should then be registered with the National Court Register and it is created upon the registration therein. If the number of shareholders exceeds 25, a Supervisory Board is 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 the Commercial Companies Code 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 (the general partner) is liable to creditors for the debts and obligations of the partnership without limitation, while at least one other partner (the limited partner) has limited liability and is liable for the obligations of the limited partnership only up to the commendams sum. The creditor of a 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. Starting from 2021, limited partnerships were classified as CIT taxpayers.

	<p>As a result, the income of the limited partnership itself will be taxed with corporate income tax (9% or 19% CIT), while the shareholders' income - as income from participation in the company's profits - will be taxed with PIT.</p> <p>Therefore, we can indicate that the changes made resulted in the fact that limited partnerships are taxed at two stages - once with CIT and then with PIT.</p>
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.

From March 1, 2021 entrepreneurs who want to quickly set up a company and start operating on the Polish market get a possibility to exercise a new type of company in Poland - a simple joint stock company. That new company might in particular attractive for “start-ups” understood as an innovative company looking for an optimal, profitable business model are characterized by the creation and implementation of new products, which often improve the operation of already used solutions.

SIMPLE JOY STOCK COMPANY (*PROSTA SPÓŁKA AKCYJNA*)

Purpose	Established to conduct a business activity or for any other purpose allowed by law.
Founders	Both individuals and legal entities may be founders. A simple joy stock company may be set up by one or more persons/entities (exception: it may not be established solely by another single-member limited liability company). The AoA of the company shall be made in form of a notarial deed. A simple joint-stock company AoA may be concluded also using the model contract (provided only for cash and not in-kind contribution).
Minimum share capital	PLN 1 (contribution in cash and in-kind). A contribution in kind to cover the shares may be any contribution having a financial value, in particular the provision of work or services. Contributions should be made to the company in full within three years from the registration date.

Company in organisation	At the moment of formation of the joint stock company, the joint stock company in organisation is created. The simple joint stock company in organisation is not a legal person, but may acquire rights and incur obligations in its own name, as well as sue and be sued.
Legal personality	A simple joint stock company is a legal entity. It acquires the legal personality upon the registration in register of entrepreneurs.
Company's liability	The company is liable for its debts and obligations with its whole property.
Shareholders' liability	Shareholders are not liable for the company's debts and obligations.
Taxation	Simple joint stock company is a CIT payer and in general (depending on the type of business activity might be also a VAT payer.
Establishment process	In general, the articles of association or the founding deed must be executed in a form of a notarial deed before a notary public in Poland. The company must be registered with the register of entrepreneurs maintained by the National Court Register (Krajowy Rejestr Sądowy – KRS).
Management Board or Board of Directors	In the simple joint stock company a management board or a board of directors is established. Members of each of the bodies might be only individual (with no limitations for non-Polish citizens). The number of members and manner of representation is flexible and is regulated in the company's articles of association.
Supervisory Board	The articles of association may provide optionally the existence of a supervisory board. The supervisory board, if provided in AoA, shall consist of at least three members, appointed and dismissed by resolution of shareholders.
Foreign investors	No special requirements for foreign investors.

Commercial companies are registered with the Statistical Office, and obtain number in the National Register of Entities of National Economy (REGON) and they also obtain Tax Identification Number (NIP). It is necessary to register some additional information with the tax authorities using the registration filing NIP-8.

Each company has to have seat (and address) in Poland and as well open bank account.

The articles of association of limited partnership limited liability company and simple joint stock 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). However for foreign entrepreneurs this solution is not advisable as due to the difficulties with the electronic signatures and small flexibility as to forming the articles of association.

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 activity is considered to be the foreign investor. The scope of activity of a representative office may include only activities in the field of advertising and promotion of a foreign entrepreneur. 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 activity.

BRANCH OFFICE

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 scope of business activity of a branch office cannot be broader than that of the foreign entrepreneur.

A branch office may engage in business activity following its entry into the Register of Entrepreneurs.

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.

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 on entry into the register of the entrepreneurs (KRS) in the Court and Business Gazette (Monitor Sądowy i Gospodarczy - MSiG)	PLN 100
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)
	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 1,000
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 to 10,000: PLN 100 + 3% of the amount over 3,000 Over 10,000 to 30,000: PLN 310 + 2% of the amount over 10,000 Over 30,000 to 60,000: PLN 710 + 1% of the amount over 30,000 Over 60,000 to 1,000,000: PLN 1,010 + 0.4% of the amount over 60,000 Over 1,000,000 to 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

According to the amendment of the Commercial Companies Code, from 1 March 2021 the shares are mandatory dematerialized and have to be registered in the Register of Shareholders maintained e.g. by a brokerage house or trust bank or in the depository of securities maintained by the National Depository for Securities.

Private joint-stock companies or limited joint-stock partnerships were obliged to select and conclude an agreement with the entity maintaining the Register of Shareholders by 30 September 2020. The selection of the entity keeping the Register of Shareholders requires a prior resolution of the General Meeting of such entity. The same obligation will apply to new type of company - simple joint stock company (available as of 1 March 2021).

The estimated cost of maintaining Register of Shareholders ranges from PLN 100 to PLN 500 per month.

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 fixed term,
- **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 providing temporary cover for an employee – in the event of an employee's justified absence from work, the employer can hire another worker under a fixed-term employment contract for the period of absence,
- **employment contract for completion of a specific task:** is concluded for a time of substitution of another employee during his or her absence,
- **employment contract for an indefinite period.**

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.

The employment contract specifies the elements to the contract, the type of contract, the date of its conclusion as well as the working and pay conditions, in particular:

- type of work,
- place of work,
- remuneration for work corresponding to the type of work, with indication of the components of the remuneration,
- working hours,
- date of the commencement of work.

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 amounts to:

- 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

The permissible number of overtime hours per employee is 150 per year. In the work regulations / employment contract you can increase the limit of overtime to a maximum of 416 overtime.

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 one part should include 14 calendar days.

OTHER FREE DAYS FOR EMPLOYEES:

Child care – an employee bringing up at least one child up to 14 years of age is entitled to a 16-hour or 2-day leave from work during the calendar year, while maintaining the right to remuneration

Occasional leave - occasional leave is granted to an employee in relation to family situations
 - 2 days off - in the event of the employee's marriage or the birth of his child, or death and funeral of the employee's spouse or child, father, mother, stepfather or stepmother;

- 1 day off - in the event of the employee's child's wedding or death and funeral of his sister, brother, mother-in-law, father-in-law, grandmother, grandfather, as well as another person dependent on or under the direct care of the employee;

Training leave - due to raising professional qualifications on the initiative or with the consent of the employer, the employee is entitled to training leave:

- 6 days if the employee takes the extramural examinations, the matriculation examination or the examination confirming professional qualifications,
- 21 days in the last year of studies for the preparation of the diploma thesis as well as preparation and taking the diploma exam.

Carer's allowance - is granted for a period of release from work due to the need for personal care, but no longer than for the period of:

- 60 days in a calendar year, if the care is provided for children healthy until the age of 8, sick until the age of 14.
- 30 days in a calendar year, if the care is exercised over children holding a disability certificate or a disability certificate, together with the indications: the need for permanent or long-term care or assistance of another person due to the significantly limited possibility of independent existence and the need for permanent participation in every day the child's guardian in the process of his treatment, rehabilitation and education.
- 14 days in a calendar year if the care is exercised over other family members, children over 14 years old.

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 2,800.00 since 1st January 2021.

From January 2021, the minimum order per hour for the contract is PLN 18.30.

INSURANCE SYSTEM

SOCIAL SECURITY INSURANCE

The social insurance is mandatory and includes: retirement, pension, and accident and sickness premium. Retirement and pension insurance are paid up to gross remuneration limit amount: PLN 157.770,00 (in 2021).

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	1.67% 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	1.67%	-
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%	-

INFORMATION ON THE EMPLOYEE CAPITAL PLAN (PPK)

On January 1, 2021, the last stage of the implementation of employee capital plans (PPK) began. At this stage, the obligation to create a PPK applies to entities employing less than 20 people (as at December 31, 2019) and public finance sector units.

Employee Capital Plans (PPK) are a voluntary long term savings programme, created and co-financed by employees, employers and the State.

The PPK's private and personal accounts will be credited with employee and employer contributions, as well as a welcome payment and annual surcharges from the State.

The payments of the employee and the employing entity will be calculated as a percentage of the employee's remuneration. An employee may at any time either resign from saving in this program, as well as returning to it.

The employer is obliged to pay 1.5% of the contribution on the employee's gross remuneration, and the employee 2%

Moreover, to be considered is that:

- an employed person, who is the PPK participant, should - within 7 days, after the lapse of 10 days of the month following the month in which the 3-month period of employment expires - submit to the employing entity a statement on agreements concluded on its behalf to run the PPK. The statement should identify the financial institutions, with whom these agreements were concluded;
- a person employed, who has reached the age of 55 and has not yet reached the age of 70, should submit an application to the employing entity to conclude an agreement to run the PPK for and on his/her behalf to become the PPK participant;
- the PPK participant, in addition to the obligatory basic payment, may declare an additional payment to the PPK of up to 2% of his/her remuneration;

- the PPK participant whose remuneration obtained from various sources in a given month does not exceed an amount corresponding to 1.2 times the minimum remuneration, may submit to the employing entity a declaration of reduction of the basic payment to the PPK. The reduced basic payment may be less than 2% but not less than 0.5% of his/her remuneration.

FOREIGNERS WORKING IN POLAND

From January 2018, the same rules apply, says the Act of 20 July 2017 amending the act on the promotion of employment and labour market institutions introduces additional regulations providing for the extension of the current system of admission of foreigners to the Polish labour market. This includes changes to existing provisions on work permits and the introduction of a new type of permit that will apply to seasonal work performed by foreigners. A new statement formula will also be introduced - a declaration on entrusting work to a foreigner, which is modelled on the previously existing declaration procedure, however with some modifications.

The permit for seasonal work will be issued by the staroste competent for the place of residence of the entity entrusting work to a foreigner, for up to nine months in a calendar year. The work, based on the statement entered in the record of statements by the staroste, may be performed for a period of six months during the next twelve months.

A seasonal work permit will be issued if:

- the amount of remuneration specified in the contract with a foreigner will not be lower than the remuneration of employees performing the same type of work at the same time or in a comparable position;
- the entity entrusting work to a foreigner has joined the application for a work permit for seasonal information of the staroste on the inability to satisfy the employer's staffing needs based on registers of unemployed and job seekers or negative recruitment results for the employer.

The staroste considers applications for a seasonal work permit, taking into account the priority of foreigners who, at least once in the 5 years preceding the submission of the application, performed work for a given entity on the basis of a seasonal work permit.

A seasonal work permit will be issued for a specific foreigner and will be indicated by the entity entrusting the work to a foreigner, the lowest remuneration of the foreigner, the working time or the number of working hours in a week or month, type of contract being the basis for the work and period of validity of the permit. If the permit concerns a foreigner's job as a temporary employee, the user's employer will also be designated in the work permit.

An entity entrusting work to a foreigner on the basis of a seasonal work permit will be allowed, under certain conditions, to entrust him with work other than work performed as part of the activities of the Minister competent for labour issues in agreement with the minister competent for agriculture and the minister competent for tourism, for periods not longer than a total of 30 days during the validity period of the permit. A seasonal work permit will be issued for a definite period, not longer than nine months in a calendar year.

If a foreigner entered the territory of the Republic of Poland on the basis of a visa issued for the purposes of seasonal work or as part of visa-free travel in connection with the application for a seasonal work permit, the staroste may issue an extension of the seasonal work permit in order to continue the seasonal work by a foreigner for the same entity that entrusts work to a foreigner or perform seasonal work for another entity entrusting work to a foreigner.

The extension of a seasonal work permit is to be issued for a period which, including the period of stay of a foreigner in order to perform seasonal work, counted from the date of first entry into the territory of the Schengen area in a given calendar year, will not be longer than nine months in a calendar year. If the entity entrusting work to a foreigner on the basis of a seasonal work permit, applied for an extension of the seasonal work permit for this foreigner, and the application does not contain formal defects or formal defects have been completed within the deadline, the foreigner's work under the conditions set out in the seasonal work permit legal for the day of submitting the application until the day on which the decision on the extension of the seasonal work permit becomes final.

If a foreigner entered the territory of the Republic of Poland on the basis of a visa issued for the purposes of seasonal work or visa-free travel in connection with an application for a seasonal work permit entered into the register, and the entity entrusting work to a foreigner on the basis of a seasonal work permit this entity will be obliged to conclude a separate agreement with the foreigner, in writing, specifying the terms of the rental or lending of the residential unit. The rent of a residential unit will not be deducted from the foreigner's remuneration.

The staroste will issue a decision to revoke the seasonal work permit if:

- circumstances or evidence relating to the decision issued have changed;
- the reason for the authorization of seasonal work ceased;
- the entity entrusting the work to a foreigner in the course of the proceedings:
 1. filed an application containing false personal data or false information, or attached documents containing such data or
 2. he testified untruthfully or concealed the truth, or used it as an authentic counterfeit or reworked document, or used such a document as authentic;
 3. the entity entrusting the work to a foreigner failed to fulfill his obligations under the Act;
 4. the entity entrusting the work to a foreigner does not conduct any activity justifying the entrustment of work to a foreigner, in particular he does not conduct business, statutory or agricultural activity, his activity is in the liquidation period or during the suspension period;
 5. the entity entrusting the work to a foreigner is a convicted person for acts specified in the Act.

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 consists of the following taxes:

- direct:
 - Corporate income tax (CIT)
 - Personal income tax (PIT)
 - Real estate tax
 - Tax on civil law transactions (PCC)
 - Transportation tax
 - Inheritance and donation tax
 - Agricultural tax
 - Forest tax
 - Tonnage tax
 - Tax on extraction of certain minerals
- indirect:
 - Tax on goods and services (VAT)
 - Excise duty
 - Gambling tax

TAX RATES IN POLAND

TAX	RATE/CHARACTERISTICS
Corporate income tax (CIT)	19% or 9%
Personal income tax (PIT)	Progressive scale – 18%, 32%; flat tax rate – 19%, Solidarity tax- 4%
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 200,000, 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

Transportation tax (<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 – PCC</i>)	Payable on certain civil law transactions e.g. purchase contracts, mortgage institution, company deeds
	Rates differ depending on the type of transaction

CORPORATE INCOME TAX (CIT)

TAX RATES

The corporate income tax rate is set at 19% of the tax base or (9% for small taxpayers and the taxpayers who start their business activity in the year they started. 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.

As of 1 January 2019, innovation (IP) box is introduced with preferential 5% PIT or CIT rate for revenues from intellectual property rights. This is a preference for innovation activities.

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)
- Organization units without legal personality with an exception of companies without legal personality
- Companies without legal personality but which have registered office or board in another country if according to regulations of the tax law of that country they are treated like legal persons and liable to taxes in that country on worldwide income
- Tax capital groups

OBJECTS OF TAXATION

From January 1, 2018 corporate income tax is imposed on income earned from a source of revenue. There are two sources of revenue: capital profits and other sources.

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 from the source of revenue over tax deductible costs gained in a tax year. If tax deductible costs exceed the amount of revenues from the source of revenue, the difference constitutes a loss from the source of revenue.

Tax losses incurred in previous tax years may reduce the taxable income from the source of revenue 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

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 from the source of revenue (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.

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 (17% 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.

Moreover, as of 2019 the PIT Act provides for 0% tax rate for people under 26 years old.

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 (within two tax years)
- 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 17% 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.

As of 1 January 2019 a new source of taxation has been introduced. The new tax, called “solidarity tax”, is applied to the income that exceeds amount of 1 mln PLN. The tax rate amounts to 4%.

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.

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

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 reassurance 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, Reassurance 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

The subjects 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 within the territory of Poland
- Export of goods outside the EU
- Import of goods from outside the EU
- Intra-community acquisition of goods for consideration within the territory of Poland
- Intra-community supply of goods

The following transactions are outside the scope of VAT:

- transactions of transfer of an enterprise or an organized part of an enterprise,
- activities that cannot be the subject of legally effective contract

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.

Economic activity covers all activities of producers, traders or service providers, including entities obtaining natural resources and farmers as well as activities of the professions. Economic activity also includes, in particular, activities which consist in the use of goods or intangible fixed assets in a continuous manner for profit-gaining purposes. In very simple terms, economic activity covers, as a rule, any business activity.

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 200, 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%

As of 1 January 2020 a new list of VAT rates has been implemented. Tax payers are eligible to get information which VAT rate is appropriate to the goods or services they sell.

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.

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.

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

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 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

In case the amount of deductions exceeds the amount of VAT due (for a given tax period). A taxpayer is entitled either to tax refund usually within 60 days of the VAT return submission or carry the excess VAT forward to the following tax period. On the taxpayer's request (under certain conditions) tax refund may be made within 25 days of the tax return submission.

VAT RETURNS AND TAX PAYMENT

Generally VAT taxpayers are obliged to submit their tax returns for monthly periods and to pay due tax no later than the 25th day of the following month. So called "small taxpayers" (whose value of sales (including tax) in the preceding tax year has not exceeded the Polish zloty equivalent of 2.000.000 EUR or in case of a brokerage enterprise, managing investment funds, operating as an agent – 45.000 EUR) who apply cash accounting scheme are obliged to submit their tax returns quarterly.

Taxpayers who do not apply cash accounting scheme may submit their tax returns quarterly (upon written notification to the head of their local tax office) provided that they make advance payments of 1/3 of tax for the first and second month of the quarter.

As of October 2020, tax returns has been replaced by JPK_VAT declarations.

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.

EXCISE DUTY

SCOPE OF APPLICATION

Excise duty is levied in Poland on the consumption of the following goods: energy products, electricity, alcoholic beverages, tobacco products and raw tobacco. Moreover, excise duty is also levied on motor cars however vehicles are not excise goods in Poland.

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.

Taxable base and rates of excise duty differ depending on the subject of taxation.

Rates may take the form of:

- fixed amount per one item or defined quantity of goods,
- Percentage of taxable base
- Percentage of maximum retail sale price
- fixed amount per item or quantity combined with percentage of maximum retail sale 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 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.

INCOME TAX

Where an individual sells property acquired for business purposes, a flat tax at 19% or progressive tax at rates of 178% 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.

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) – 2%
- Loan agreements and irregular deposit agreements – 0.5%
- 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.

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.

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

Taxpayers not having the place of establishment or fixed establishment in Poland, (required to register as active VAT taxpayers) are obliged to appoint a tax representative. However this obligation does not apply to taxpayers having the place of establishment or fixed establishment in the EU. A tax representative may be any legal person or organisational unit without legal personality that has established his business within the territory of Poland or natural person who has his permanent address in the territory of Poland provided that the person fulfils - the following conditions:

- is registered as an active VAT taxpayer and in certain circumstances as an EU VAT taxpayer,
- is not in arrears in respect of the taxes which constitute income of the state treasury – which exceed 3 per cent of the due tax,
- has not been sentenced within the last 24 months in accordance with the Fiscal Penal Code for a fiscal crime,
- is authorised to provide professional tax advisory services under the Tax Advisory Act or bookkeeping services pursuant to the Accounting Act.

Polish law enables customs agencies to become tax representatives under certain conditions. The tax representative is jointly and severally liable with the taxpayer for tax obligations of the taxpayer he represents.

MANDATORY DISCLOSURE RULES (MDR)

From 1 January 2020 the Mandatory Disclosure Rules (MDR) have been introduced. The scope of the Polish implementation of EU Mandatory Disclosure Regime directive (DAC6) is wider as it also covers i.e. VAT and domestic tax schemes.

The MDR regulations are intended to provide tax administration authorities with information about potentially aggressive or abusive tax-planning arrangements.

However, the extent of MDR goes much further and includes also reporting obligations, e.g. to deliver valuable information for analysis of tax reliefs and preferences. That means that also be lawful arrangements made for valid business reasons may subject to reporting obligation. Taxpayers may be obliged to report arrangements no matter if they bring tax benefits or not, and some of them may need to implement an internal MDR procedures.

Also the sanction for failure to comply with the new MDR rules are more substantial than in other EU countries.

7 – ACCOUNTING & REPORTING

ACCOUNTING REGULATIONS & COMPANY FINANCIAL STATEMENT

The basic source of the Polish accounting law is the Accounting Act of 29 September 1994. Since its effectiveness on 1 January 1995, the Accounting Act has been repeatedly amended and is still subject to continuous alterations as a result of adjusting it 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 primary documents need to 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 the company's activity (including tax returns) must be kept by the company. Starting from 2019 the approved annual financial statements must be kept by the company for a period of at least 5 years from the beginning of the year following the financial year in which they were approved.

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. When applying 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 following entities which registered offices or places of executive management are located on the territory of the Republic of Poland:

- 1) commercial companies, i.e. partnerships and capital companies, including those in the process of setting up (entities established on the basis of the Code of Commercial Companies), civil law partnerships, subject to point 2), as well as other legal persons, except for the State Treasury and the National Bank of Poland,
- 2) natural persons, civil law partnerships established by natural persons, civil law partnerships established by natural persons and inherited enterprises, general partnerships established by natural persons, professional partnerships and inherited enterprises operating in accordance with the Act of 5 July 2018 on the succession management of an enterprise of a natural person and other facilities related to succession of enterprises, if their net revenue from the sale of goods for resale, finished goods and financial transactions in the preceding financial year amounted to the equivalent of at least EUR 2.000.000 in the Polish zloty if these requirements are not met but the natural persons or the partnerships still want to apply the accounting principles specified in the Accounting Act, these natural persons or partners of these partnerships are required to notify of it, before the beginning of the financial year, the tax office relevant for income tax matters,

- 3) inherited enterprise acting in accordance with the above mentioned Act of 5 July 2018 if accounting books were kept on the day preceding the day of opening the inheritance,
- 4) business entities operating on the basis of the Banking Law, regulations on trading in securities, regulations on investment funds and management of alternative investment funds, regulations on insurance and reinsurance activities, regulations on cooperative savings and credit unions or regulations on organization and operation of pension funds, irrespective of the amount of revenues,
- 5) municipalities, districts, voivodships and their associations as well as:
 - state, municipal, district and voivodship budget units,
 - municipal, district and voivodship budget firms.
- 6) organizational entities with no legal personality, except for the companies referred to in points 1) and 2),
- 7) branches and representative offices of foreign entrepreneurs as defined in the Act of 6 March 2018 on the rules of participation of foreign entrepreneurs and other foreign persons in business transactions on the territory of the Republic of Poland,
- 8) entities other than those referred to in points 1) – 7) if they receive subsidies from the state budget, budgets of local government units or special purpose funds for the purpose of implementation of assigned tasks – from the beginning of the financial year in which they were granted with the subsidies.

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 Accounting Act and its related secondary legislation, in the 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 the 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, as well as these general partnerships and limited partnerships in which all the partners bearing unlimited responsibility are capital companies, limited joint-stock partnerships or companies from other countries with a legal form similar to these companies, as well as in the case of specialized open-end investment funds, closed-end investment funds and alternative investment companies, the entity’s manager shall prepare, apart from an financial statement, also an annual report on the entity’s activity. This document should comprise essential information on property and financial position of the entity, including evaluation of the results achieved and identification of risk factors and a description of threats.

The Accounting Act distinguishes micro entities and small entities. These are commercial companies, i.e. partnerships and capital companies, including those in the process of setting up (entities established on the basis of the Code of Commercial Companies), civil law 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 entrepreneur as defined in the Act of 6 March 2018 on the rules of participation of foreign entrepreneurs and other foreign persons in business transaction on the territory of the Republic of Poland, for which, in relation to both the financial year for which an annual report is prepared and the year preceding that financial year, at least two of the following three criteria were presented:

- total assets in the balance sheet at the reporting date did not exceed 1.5 million PLN (micro entities) or 25.5 million PLN (small entities),
- net revenue from sale of merchandise and products (excluding financial income) for the financial year did not exceed 3 million PLN (micro entities) or 51 million PLN (small entities),
- the average annual employment in full-time employment did not exceed 10 persons (micro entities) or 50 persons (small entities).

Moreover, the entity's shareholders must adopt a resolution on preparation of annual financial statements in a simplified form dedicated for micro entities or small entities respectively.

Also entities such as trade unions, employers' organizations, chambers of commerce, representative offices of foreign entrepreneurs as defined in the Act of 6 March 2018 on the rules of participation of foreign entrepreneurs and other foreign persons in business transactions on the territory of the Republic of Poland, socio-professional organizations of farmers, organizations of professionals' corporations, organizations of economic corporations of craftsmanship and the Polish Motor Insurers' Bureau (unless operating as businesses) may benefit from simplifications provided for micro entities.

Micro entities and small entities are allowed to prepare their financial statements in a simplified form, including an abbreviated balance sheet (only with selected basic items presented) and an abbreviated profit and loss account, accompanied by limited additional information. Micro entities are also exempt from the obligation to prepare the annual report on the entity's activity as long as information on the purchase of own shares is included in the financial statement. Small entities are exempt from the obligation to prepare the annual report on the entity's activity, as long as information on the purchase of own shares is included in additional notes and explanations.

In addition, for simplification, micro entities do not value assets and liabilities by fair value and adjusted purchase price. Small entities are allowed not to apply provisions issued by the Ministry of Finance concerning detailed recognition principles, valuation methods, scope of disclosure and manner of presentation of financial instruments

Certain categories of micro entities as well as small entities are also allowed to resign from applying the principle of prudence when measuring their assets and liabilities in the scope of creating write-downs updating the value of assets and reserves for the risk known to the entity, possible losses and the consequences of other events.

DEADLINES FOR PREPARATION OF FINANCIAL STATEMENTS AND INSTITUTIONS WHICH FINANCIAL STATEMENTS SHALL BE SUBMITTED TO

The entity's manager shall ensure that 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 provisions of the entity's articles of association.

It is mandatory to prepare the annual financial statements in an electronic form in a precisely specified logical structure and format which is available on the website of the Public Information Bulletin of the Ministry of Finance (XML).

All members of the board are obliged to sign the annual financial statement using their qualified electronic signatures.

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

In accordance with the Act of 20 August 1997 on the National Court Register, the annual financial statement, the independent auditor's report (if the annual financial statement was subject to an audit), a copy of resolutions on approval of the annual financial statement and on distribution of profit or coverage of loss as well as the annual report on the entity's activity shall be submitted to the Financial Document Repository within 15 days from the date of the approval of the annual financial statement. The documents at stake can be submitted either by the entity's manager or by a professional proxy acting on behalf the entity. They are submitted electronically on the website of the Ministry of Justice so in order to carry out this task, it is necessary for the entity's manager or the professional proxy to have a qualified electronic signature.

Consolidated annual financial statements 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 the IAS.

AUDIT OF FINANCIAL STATEMENTS

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

- domestic banks, branches of credit institutions, branches of foreign banks, insurance companies, reinsurance companies, main branches and branches of insurance companies, main branches and branches of reinsurance companies and branches of foreign investment companies,
- cooperative savings and credit unions,
- entities operating on the basis of regulations on trading in securities and regulations on investment funds and management of alternative investment funds as well as alternative investment companies,
- entities operating on the basis of regulations on organization and operation of pension funds,
- national payment institutions and electronic money institutions,
- joint stock companies, except for companies which are in the process of setting up at the balance sheet date,

- other entities which in the preceding financial year for which the annual financial statement was prepared had fulfilled at least two of the following conditions:
 - the average annual employment in full-time employment was equal to at least 50 persons,
 - total assets in the balance sheet at the end of the financial year were equivalent in the Polish currency to at least EUR 2.500.000,
 - net revenue from sale of merchandise and products and from financial operations in the financial year were equivalent in the Polish currency to at least EUR 5.000.000.

An audit must be carried out before the annual financial statement is approved 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 STATEMENTS

The obligation to prepare annual consolidated financial statements concerns parent holding companies. The annual consolidated financial statements include the following elements:

- a consolidated balance sheet,
- a consolidated profit and loss account,
- a consolidated cash flow statement,
- a consolidated statement of changes in equity (fund),
- notes to the consolidated financial statements, including an introduction to the consolidated financial statements as well as additional notes and explanations.

An annual report of the capital group's activity shall be enclosed to the annual consolidated financial statement of that group.

EXEMPTION FROM PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Accounting Act provides for the possibility to exempt an entity from preparation of consolidated financial statements if, in particular, the following condition relating to the level of employment, the balance sheet and income is fulfilled. A parent company is not obliged to prepare consolidated financial statements if at the balance sheet date of the financial year and as at the balance sheet date of the year preceding that financial year, the total data of the parent company and of its all subsidiaries at each level:

1) meet - **before** making consolidation exclusions- at least two of the following criteria:

- the average annual employment in full-time employment did not exceed 250 persons,
- total assets in the balance sheet at the reporting date did not exceed 38.400.000 PLN,
- total net revenue from sale of merchandise and products for the financial year did not exceed 76.800.000 PLN

2) meet - **after** consolidation exclusions - at least two of the following criteria:

- the average annual employment in full-time employment did not exceed 250 persons,
- total assets in the balance sheet at the reporting date did not exceed 32.000.000 PLN,
- total net revenue from sale of merchandise and products for the financial year did not exceed 64.000.000 PLN.

8 – UHY REPRESENTATION IN POLAND

CONTACT DETAILS

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 Fax: +48 22 633 03 00
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Liaison contact: Piotr Wozniak
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 Email: piotr.wozniak@uhy-pl.com

SOCIAL MEDIA CONNECTIONS

- Facebook: <https://www.facebook.com/UHY-ECA-1533001533620503>
- LinkedIn: <https://www.linkedin.com/company/eca-poland>
- Twitter: https://twitter.com/uhy_eca?lang=en
- YouTube: https://www.youtube.com/channel/UCsWhNZrRILyKjg_tUhia9bA

Year established: 2006

Number of partners: 12

Total staff: 144

ABOUT US

We base our relationships with clients on trust, which allows us to build stable relations as professional business partners.

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

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 Phone: +48 32 376 41 40

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 Phone: +48 12 417 78 00

Office in Wrocław:
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 50-201 Wrocław
 Poland
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BRIEF DESCRIPTION OF FIRM

The UHY ECA Group provides services in audit, tax consulting, accounting services, training, business consulting and authorized advisory. The beginnings of the company reach back to the mid 1990's. UHY ECA Group has audited several thousand companies, public interest entities, including companies publicly traded on the Warsaw Stock Exchange and investment funds. Our tax experts have successfully represented our clients' interests in front of the Supreme Administrative Court. We also possess competence in the German Commercial Code (HGB). We have advised on multiple capital transactions and stock exchange debuts. UHY ECA S.A. is Warsaw Stock Exchange IPO Partner. The company's high competence is proven regularly by top-ten placements in prestigious auditory and tax consulting company rankings. In 2020 UHY ECA was ranked among the best audit firms in the prestigious ranking of "Parkiet" and "Rzeczpospolita"

- 9th place in the overall classification of the best audit firms in Poland,
- 5th place in the category of the best audit firms, auditing companies listed on the Warsaw Stock Exchange.

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 want to exert a positive impact on the functioning of business on the market. We use best practice, linking independence with a high standard of financial outsourcing services and a high level of professionalism, thus ensuring that our relations are based on partnership and mutual trust. Our strength is the carefully selected staff - it is owing to their knowledge, skills and abilities that we enjoy a high level of trust with our clients, who willingly entrust us with their various concerns.

SERVICE AREAS

- Audit
- Tax&Legal consulting
- Accounting
- Business consulting
- Trainings

SPECIALIST SERVICE AREAS

Audit:

- audits and reviews of financial statements under the PAS, IAS/IFRS, HGB and US GAAP
- audits and preparation of consolidation packages
- company valuation
- development and implementation of accounting policy principles
- audit of the correctness and reliability of the merger, conversion or division plan
- restatement of financial statements to achieve compliance with IAS/IFRS, HGB and US GAAP
- accounting advice
- financial due diligence analysis
- auditing services associated with IPO process

Tax&Legal consulting:

- on-going tax advisory

- tax reviews
- assistance in tax and court proceedings
- transfer pricing advice
- representing before tax authorities as well as administrative courts during tax and court-administrative proceedings
- advising on restructuring transactions and mergers and acquisitions

Accounting:

- maintaining books of account
- maintaining simplified books of account
- HR and payroll services
- preparing reports, analyses and financial statements
- representing Clients before regulators

Business consulting:

- risk management
- internal audit
- optimization of business processes
- enterprises evaluation

Trainings:

- professional accounting and tax training and workshops
- internal training fully tailored to the client's needs

PRINCIPAL OPERATING SECTORS

retail, heavy industry & machinery, IT, construction & development, financial services, investment

LANGUAGES

- Polish (national)
- English
- German

CURRENT PRINCIPAL CLIENTS

AC S.A.
 APLISENS S.A.
 APS ENERGIA S.A.
 ARTIFEX MUNDI S.A.
 BOWIM S.A.
 CI GAMES S.A.
 DATAWALK S.A.
 FABRYKA OBRABIAREK RAFAMET S.A.
 IQ PARTNER S.A.
 KOSZALINSKIE PRZEDSIĘBIORSTWO PRZEMYSŁU DRZEWNEGO S.A
 MOSTOSTAL ZABRZE S.A.
 MZN PROPERTY S.A.
 ONCOARENDI THERAPEUTICS S.A.
 P.A. NOVA S.A.
 PBS FINANSE S.A.
 PCC EXOL S.A.

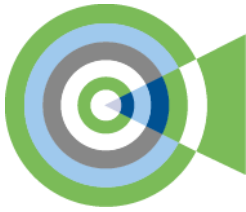
PCC ROKITA S.A.
PROTEKTOR S.A.
RELPOL S.A.
REMAK-ENERGOMONTAZ S.A.
SOLAR COMPANY S.A
T-BULL S.A.
VISTAL GDYNIA S.A.
VIVID GAMES S.A.
VOXEL S.A.
WITTCHEN S.A.
ZAKŁAD BUDOWY MASZYN ZREMB-CHOJNICE S.A.
ZPUE S.A.

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

Germany
Luxembourg
Croatia
Romania
Czech Republic
United Kingdom
USA
Cyprus
Russia
Netherlands
Hungary
Austria
France
Norway
Belarus

BRIEF HISTORY OF FIRM

The beginnings of the company reach back to the mid 1990'. UHY ECA S.A. was established as a result of the merger of Auxilium S.A., operating uninterruptedly since 1995, and UHY ECA Group established in 2006. Since 2019, the company's registered office is located in Warsaw at Polczynska 31A. We offer our clients comprehensive support in business development, providing them with services in the field of audit, finance, accounting, legal and tax consultancy and training. Behind the success of our Group is a team of over 150 experts operating in 6 business centers all over Poland. For years, we have been in the TOP 10 best audit companies in Poland according to the prestigious Rzeczpospolita Daily rankings.



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