

How to do Business Investors' Guide Poland



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How to do Business



I. Establishing a business step-by-step

STEP 1

Choice of legal form

For example:

- limited liability company (spółka z ograniczoną odpowiedzialnością)
- joint-stock company (spółka akcyjna)
- branch office (oddział)

See page: 10, 11, 12, 16

STEP 2

Arranging for an official company address

(at least a lease agreement for the office)

See page: 21

STEP 3

Signing the company's Articles of Association or Statute

(applies to limited liability company and joint-stock company only)

See page: 11, 20, 21

STEP 4

Registration of the company in the National Court Register (Krajowy Rejestr Sądowy)

- Registration should be effected in the District Court that has jurisdiction over the district in which the company will have its official address.
- Addresses of Economic Divisions of the National Court Register and information on their territorial jurisdiction are available through the Ministry of Justice website, www.ms.gov.pl

See page: 11, 20

STEP 5

Application to the Central Statistical Office (Główny Urząd Statystyczny - GUS) for a Statistical Identification Number (REGON)

See page: 20

STEP 6

Opening an account at a Polish bank

According to Polish law, every business entity must have an account at a Polish bank

See page: 20, 40

STEP 7

Applying to the Tax Office for a Taxpayer Identification Number (NIP)

Tax Office appropriate for the company's official address

See page: 20, 21, 42

STEP 8

Notifying the Social Insurance Institution (Zakład Ubezpieczeń Społecznych - ZUS)

This obligation arises after the employment of the first employee

See page: 36, 55

STEP 9

Notifying the National Labour Inspectorate

And other institutions, if necessary, including, for instance, the General Personal Data Protection Inspectorate

See page: 27

STEP 10

Receiving required permits or licenses

See page: 18, 19, 24, 25

STEP 11

Registration in the Tax Office as a VAT payer

See page: 49



II. Establishing and doing business in Poland

1. Starting a business in Poland

1.1. General rules for conducting business activities in Poland, including the activities of foreign businesses

The principal legal act governing business activities in Poland is the Economic Freedom Act of 2nd July, 2004. It regulates the conduct, running and closure of businesses in Poland, as well as the tasks of public administration in this domain. Foreign persons¹ from the European Union and the European Free Trade Association zones belonging to the European Economic Area (EEA) may establish and conduct business under the same rules as those that apply to Polish enterprises.

The same rules also apply to foreigners living outside the EU and the EEA who:

- have received a permit to settle in Poland;
- have received a permit to stay in Poland under the status of a long-term resident of the European Union;
- have received a permit for a tolerated stay,
- have a residency permit or refugee status granted by the Republic of Poland, or
- enjoy temporary protection in Poland.

Unless international agreements state otherwise, foreigners other than those indicated above have the right to establish and conduct business activities only in the form of:

- a limited partnership;
- a limited joint-stock partnership;

- a limited liability company;
- a joint-stock company.

Such foreigners also have the right to enter into the types of partnerships and companies listed above, as well as acquire shares in them. Furthermore, foreign entrepreneurs² may conduct business activities in the form of a branch office, or they may establish representative offices in Poland.

Provisions regarding the establishment and management of the above-mentioned partnerships and companies are placed in the second most important act regarding conducting business in Poland, i.e. the Code of Commercial Partnerships and Companies of 15 September 2000.

Work is currently in progress to amend the laws governing starting up businesses in Poland. The changes in question envisage reducing the number of formalities required to establish a company. Parliamentary discussions are currently in progress on the draft amendments to the applicable laws.

1: Under the law, a foreign person is: a) a private individual residing abroad, without Polish citizenship; b) an incorporated person with its seat (registered office) abroad; c) an organisational unit with its seat abroad, not being a legal entity, but having legal capacity.

2: According to the law, a foreign entrepreneur is a foreign person conducting business activities abroad.



1.2. Corporate entities

Foreign entrepreneurs may establish various forms of companies. Possible legal forms for companies in Poland are presented below.

1.2.1. Limited liability company

A limited liability company (sp. z o.o.) is the basic type of company in Poland. A sp. z o.o. has a separate legal personality from its shareholders, which means that when acting through its governing bodies (mainly the management board), it can acquire rights and incur liabilities on its own behalf. A sp. z o.o. has capital which is created from shareholder contributions. Shareholders of a sp. z o.o. are not liable for the liabilities of the company. The management of a sp. z o.o. is less formal than that of a joint-stock company. It is, therefore, a significantly more popular form for conducting business than a joint-stock company.

A limited liability company is established in order to conduct all activities permitted by law, by way of notarised Articles of Association which specify:

- the name of the company and its registered office;
- the description of the nature of business which must be specified in accordance with the Polish Classification of Activities (Polska Klasyfikacja Działalności, PKD);
- the amount of share capital;
- the number of shares that one shareholder can hold (this can be one or more);
- the number and nominal value of the shares acquired by each of the shareholders;
- the duration of the company (if limited).

Articles of Association of a Polish company must be signed in front of a notary public in Poland. Both individuals and legal entities may be founders. A limited liability company may also be formed by a single shareholder, but it may not be established solely by another single-shareholder limited liability company.

A limited liability company acquires legal personality from its registration in the National Court Register and is represented by its Management Board. However, it comes into existence on the signing of the Articles of Association. Although it does not have a legal personality, it can start operating before its entry into the National Court Register as an "entity in organisation". A limited liability company in organisation can acquire rights and enter into obligations (therefore it can sign agreements), it can also sue and be sued. Also, the principles of representation of a company in organisation and liabilities for its actions vary to those of a fully registered company.

The minimum initial capital of a limited liability company is PLN 50,000. The minimum nominal value of one share is PLN 50.

If the company generates a profit after the annual balance sheet has been approved and due taxes have been paid, a foreign shareholder is permitted to transfer the entire amount of the profit due to him abroad.

Contributions to a limited liability company may be made in cash or in kind.

1.2.1.1. Corporate bodies of a limited liability company

The corporate bodies of a limited liability company are the Shareholders' Meeting, the Management Board and the Supervisory Board, if required by law or if provided for in the company's Articles of Association.

The provisions of the Code of Commercial Partnerships and Companies, Polish practice and jurisprudence clearly define and separate the rights and obligations of each body of a company. Polish corporate governance is based on a two-tier system and a clear demarcation of responsibilities between the executive - Management Board, and the non-executive - Supervisory Board. An exception to this system is a European Company regulated under the European Economic Interest Grouping and European Company Law, which provides for the possibility of choosing between one-tier and two-tier corporate governance.

The authority of a Management Board can generally be described as conducting business and representing the company in dealings with third parties. Only a natural person with full capacity to perform legal actions can serve as a Management Board member. The Management Board may consist fully or partially of foreign nationals.

The Polish Code of Commercial Partnerships and Companies provides for an obligatory Supervisory Body for joint-stock companies and limited liability companies with a share capital of more than PLN 500,000 and more than 25 shareholders.

The Supervisory Board exercises ongoing supervision over all areas of a company's activity. The Board may not give any binding instructions to the Management Board on running the company's business. The authority it has includes the assessment of the financial statements and the Management Board's motions on the distribution of profit or the method in which losses are to be covered, as well as submitting annual reports on its activities to the Shareholders' Meeting. The Board inspects the company's documents, requests reports and explanations from the Management Board and employees and audits the company's assets. A company's

Articles of Association can extend the powers of a Supervisory Board, specifically by providing that the Management Board must obtain the consent of the Supervisory Board before performing the activities designated in the Articles.

The right to control the company is vested in the shareholders, unless the Articles of Association provide for a Supervisory board and simultaneously limit the powers of the shareholders.

1.2.1.2. Liability in a limited liability company

Responsibility for the liabilities of a "company in organisation" is borne jointly and severally by the company and the persons acting on its behalf. A shareholder of a "company in organisation" is jointly and severally responsible with these persons for the company's liabilities up to the amount of the unpaid contribution to the shares to which he subscribed.

As in the case of the shareholders, Management Board members, are not liable for the company's liabilities. An exception to this principle is the personal joint liability of the Management Board members and the company for the company's liabilities when enforcement against the company proves ineffective. Management Board members can release themselves from this liability if they prove one of the following circumstances: that they punctually filed a motion to declare bankruptcy, or if composition proceedings have been initiated, or if they have not filed for bankruptcy, or composition proceedings have not been initiated through no fault of their own or a creditor did not incur any injury from the failure to file a motion to declare bankruptcy or failure to initiate composition proceedings.

Moreover, Management Board members are jointly liable with the company to creditors in

the event of the intentional or negligent provision of false data in a representation stating that the company's share capital has been fully paid up, which is filed upon incorporation of the company and at the time that the company's share capital is increased.

A Management Board member (just as in the case of a member of the Supervisory Board, Audit Committee or liquidator) is liable to the company for damages caused by an action or omission in breach of the law or the provisions of the Articles of Association, unless he is not at fault.

1.2.2. Joint-stock company

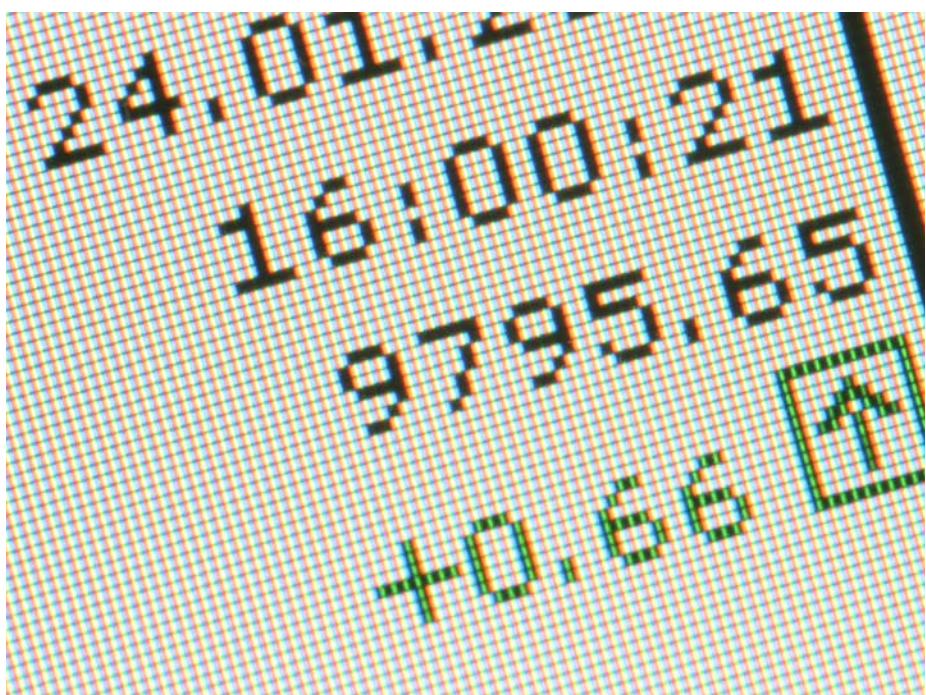
A joint-stock company has a separate legal personality from its stockholders, which means that when acting through its governing bodies (mainly the Management Board) it can acquire rights and incur liabilities on its own behalf. A joint-stock company has capital which is created from stockholder contributions. Stockholders of a joint-stock company are not liable for the company's liabilities.

Management of a joint-stock company is more formal than that of a limited liability company. Therefore, this type of company is used for businesses where this form is required by law (for example a bank, or insurance company), or where the company is planning a floatation on capital markets.

A joint-stock company can be founded by at least one individual or one legal entity, for any purpose. A joint-stock company may be established by a single stockholder. However, a joint-stock company cannot be established by a limited liability company which is founded by a single shareholder. Stockholders are not liable for company liabilities.

Only joint-stock companies may conduct activities in certain sectors. For instance, this is true of insurance, commodity markets, investment funds, pension funds or gaming activities and lotteries as well as many other sectors.

The founders are obliged to draw up the statute in the form of a notarial deed in front of a notary public in Poland. The company comes into existence on the implementation of the company deed, but it obtains legal personality at the time when it is entered



into the National Court Register. Therefore, although it does not have a legal personality, it can start operating before its entry in the National Court Register as an "entity in organisation". A joint-stock company in organisation can acquire rights and enter into obligations (therefore it can sign agreements), it can also sue and be sued. The founders may, but are not obliged, to become company stockholders. They act up to the time that the Management Board is appointed and are jointly liable with other persons who acted on behalf of the company before its registration.

Company statutes must specify:

- the company's name and registered office;
- the description of the nature of business which must be specified in accordance with the Polish Classification of Activities (Polska Klasyfikacja Działalności, PKD);
- the company's duration, if defined;
- the level of the company's capital and the amount paid up to cover the capital before registration;
- the nominal value of the stocks and their number, with an indication of whether they are registered or bearer stocks;
- if various types of stocks are to be introduced, the number of stocks of a specific type and their related rights;
- the names of the individual or corporate founders;
- the number of Supervisory and Management Board members, or at least the minimum and maximum number of members of these bodies, as well as the entity that is authorised to define the membership of the Management Board;
- an announcement letter, if the company intends to issue announcements anywhere other than in "Monitor Sądowy i Gospodarczy".

The minimum capital for a joint-stock company is PLN 500,000 and the minimum stock value is PLN 0.01.

A joint-stock company differs from a limited liability company in its ability to issue stock which may be subject to public trading. Companies listed on the Warsaw Stock Exchange must be joint-stock companies.

If the company generates a profit, after the annual balance sheet has been approved and due taxes have been paid, a foreign stockholder is allowed to transfer the entire amount of profit due to him abroad.

1.2.2.1. Corporate bodies of a joint-stock company

The corporate bodies of a joint-stock company are the Shareholders' Meeting, the Management Board and the Supervisory Board. The basic rules of corporate governance are the same as for a limited liability company.

However, a Supervisory Board consisting of at least three people is obligatory in a joint-stock company. In listed companies, the Supervisory Board consists of at least five members. The Code of Commercial Companies and Partnerships does not provide for the right of stockholders to personally supervise the company's activity.

1.2.2.2. Liability in a joint-stock company

The responsibility for the liabilities of a "company in organisation" is borne jointly and severally by the company and persons acting on its behalf. A stockholder of a "company in organisation" is jointly and severally responsible with these persons for the company's liabilities up to the amount of his unpaid contribution for the shares to which he has subscribed.

Just as in the case of the stockholders, Management Board members are not responsible for the company's liabilities. The exception is the joint personal liability of the Management Board members and the company to creditors in the event of the deliberate or negligent provision of false data in declarations regarding payments towards stock in the company's application for registration or in the application to register an increase in the company's share capital.

A Management Board member (just as a member of the Supervisory Board, Audit Committee or the liquidator) is liable to the company for damages caused by an action or omission in breach of the law or the provi-

sions of the Statute, unless he is not at fault. A Management Board member is liable for damages caused by a failure to lodge a motion declaring the company's bankruptcy

1.2.3. *Civil partnership*

A civil partnership is the most basic type of partnership. It is generally used for small scale businesses.

A civil partnership may be established under the regulations of the Civil Code by at least two private individuals or legal entities. An important feature is the lack of legal personality and the inability to act in its own name in the economic exchange of goods and services.

The partners are jointly and severally liable for the partnership's liabilities. The income of a civil partnership is subject to personal income tax. The partners in civil partnerships must be registered in the Business Activity Register. The civil partnership must be transformed into a registered partnership and registered at the National Court Register when its annual income in two consecutive financial years amounts to at least EUR 800,000. The partners in the partnership are obliged to file a motion with the National Court Register within three months of the end of the second financial year.

1.2.4. *Registered partnership*

A registered partnership is a personal partnership established under the regulations of the Code of Commercial Companies and Partnerships to conduct economic activity on a larger scale than that of a civil partnership. It is subject to registration in the Register of Entrepreneurs at the National Court Register. Despite the lack of legal personality, a registered partnership has the right to act in its own name in the economic exchange of goods and services. Every partner has unlimited liability for the partnership's liabilities.

1.2.5. *Limited partnership*

The main feature of a limited partnership is that at least one partner has unlimited liability for the partnership's liabilities (General Partner), while others are only liable up to the amount specified in the partnership agreement (Limited Partners).

The business name of a limited partnership must include the names, or business names of one or more general partners and the additional designation of "spółka komandytowa" ("limited partnership"). The name of a limited partner may not be included in the partnership's business name. If it is included in the partnership's business name, this limited partner will be liable to third parties as if he were

A civil partnership is the most basic type of partnership. It is generally used for small scale businesses.

the general partner. A limited partnership has the right to act in its own name in the economic exchange of goods and services despite the lack of legal personality. A notarial deed is required to establish a limited partnership. A limited partnership comes into existence at the time it is entered into the National Court Register.

An advantage of this form of business activity is that it is less formal than operating a company. A negative side is that the partnership does not have separate legal personality and the liability of the partners is unlimited.

1.2.6. Professional partnership

A professional partnership is a partnership established by partners for the purpose of working in a profession. A partner may only be a natural person who is authorised to practice in a profession, such as an attorney, pharmacist, architect, building engineer, chartered accountant, insurance broker, tax adviser, auditor, doctor, dentist, veterinary surgeon, notary public, nurse, midwife, legal adviser, patent agent, property valuer, sworn translator or psychologist.

The business name of a professional partnership must include the name of at least one partner, the additional designation "i partner" ("and partner") or "i partnerzy" ("and partners") or "spółka partnerska" ("professional partnership") and a specification of the profession practiced in the partnership. A notarial deed is required to establish a professional partnership. The professional partnership comes into being at the time it is entered into the National Court Register. An attractive feature of this form of business is that one partner is not liable for liabilities incurred by the other partners in the course of professional activities. A negative side is that the partnership does not have separate legal personality.

1.2.7. Limited joint-stock partnership (limited partnership issuing shares)

A limited joint-stock partnership is a partnership established by partners, acting in its own name in the economic exchange of goods and services. Its main feature is that at least one partner is fully responsible for the partnership's liabilities (General Partner) and at least one partner is a shareholder. The business name of a limited joint-stock partnership must include the names of one or more general partners and the additional designation "spółka komandytowo-akcyjna" ("limited joint-stock partnership").

A shareholder's name cannot be included in

the partnership's business name. If it is included, such a shareholder will have the same liability to third parties as the general partner. The minimum share capital is PLN 50,000. A notarial deed is required to establish a limited joint-stock partnership. Such a partnership comes into existence at the time it is entered into the National Court Register.

This form of activity is uncommon in Poland. Therefore, there is little experience in this new type of partnership (introduced in 2001), but it is less formal than operating a company.

1.2.8. Sole proprietorship

This type of enterprise is established for the purpose of operating a small business by a private individual. It is registered in the Business Activity Register held by the head of the municipality (wójt) or the mayor of a town (burmistrz). Applications for tax and statistical registration can be filed in the same place. The tax charged is personal income tax (PIT).

1.2.9. Branch office

By reciprocity, foreign investors are able to establish branches in Poland to conduct business activities. Foreign investors from EU, EEA and EFTA Member States are authorised to conduct business activities under the same regulations as Polish enterprises. A branch is a part of a foreign company that does not have its own legal personality, but conducts business in Poland. The branch may conduct business activities from the moment it is entered into the National Court Register. The branch office's business can only be conducted within the scope of the parent company's activities.

1.2.10. Representative office

Foreign entrepreneurs may also establish representative offices in Poland. The activities of these offices are limited to the advertising and promotion of their foreign business. The main difference between a representative office and a branch is that the latter entity may conduct business activities (although only within the scope foreseen for the foreign enterprise) while the representative office cannot.

The representative office must be registered in the Register of Representative Offices. This register is held by the Ministry of the Economy.

1.2.11. European Company

The European Company (*Societa Europea, SE*) is regulated by the European Economic Interest Grouping and the European Company Act dated 4th March, 2005. The Act incorporates the European Council's Regulations and Directives related to the European Company by providing both corporate rules and a framework for employee involvement.

According to the rules indicated above, most national laws would apply to European Companies without additional amendments or adjustments within the scope that is not directly governed by the Community Regulations and Directives, just as they would apply to any joint-stock company incorporated under the laws of Poland or to specific activities that it may choose to undertake.

A European Company may be formed for any commercial purpose.

The share capital of a European Company should be at least EUR 120,000. Shares subscribed for in-kind contributions must be covered in full no later than before the end of one year from the date of the company's registration. In the case of shares subscribed for

cash contributions, at least one-quarter of their nominal value should be covered before company registration.

The provisions of this Act provide some specific rules governing the registered office and its transfer between the EU Member States, in particular, protecting minority shareholders who oppose the transfer of the registered office to another EU Member State.

Establishing and operating a European company is a reasonably complex process. Therefore, this is only recommended for large scale business of an international dimension.

1.2.11.1. Corporate bodies of a European Company

A European Company's founders may choose between a one-tier and a two-tier system of corporate bodies and disclose their decision in the company's by-laws. In the two-tier system, as traditionally recognised by Polish law, management is entrusted to the Management Board (*zarząd*), which is supervised by the Supervisory Board (*rada nadzorcza*). In a one-tier system, management is entrusted to the Administrative Board (*rada administrująca*).

A member of the Management or Supervisory Board, Administrative Board, Audit Commission or liquidator can only be a natural person with full capacity to perform legal actions.

1.2.11.2. Employee participation in a European Company

Polish employees participate in the management of a European Company through trade unions appointed to represent and defend their rights, as well as professional and welfare interests. They also have the right to information and consultation, the scope of which is to be specified in a separate act (its proposal was under discussion at the time of publication).

1.3. Types of activities requiring licenses, concessions or permits

Polish law states that the performance of certain types of activities is limited by the need to obtain appropriate consent from the state

1.3.1. Concessions

Polish law requires that concessions be obtained in order to perform the activities listed below (the responsible issuing authority is indicated for each type of activity).

Concessions are granted for a period of no less than five years (unless otherwise requested by the enterprise) and no more than 50 years.

Concessions are granted upon the completion of administrative proceedings or, if the number of concessions is limited, following a public tender. The authority issuing the concession may monitor the activities of the entity that received a concession within the limits specified by the law.

The time required for issuing a concession depends largely on the given case. By law the authorities should not exceed a 2-month period for such proceedings.

1.3.2. Permits and licenses

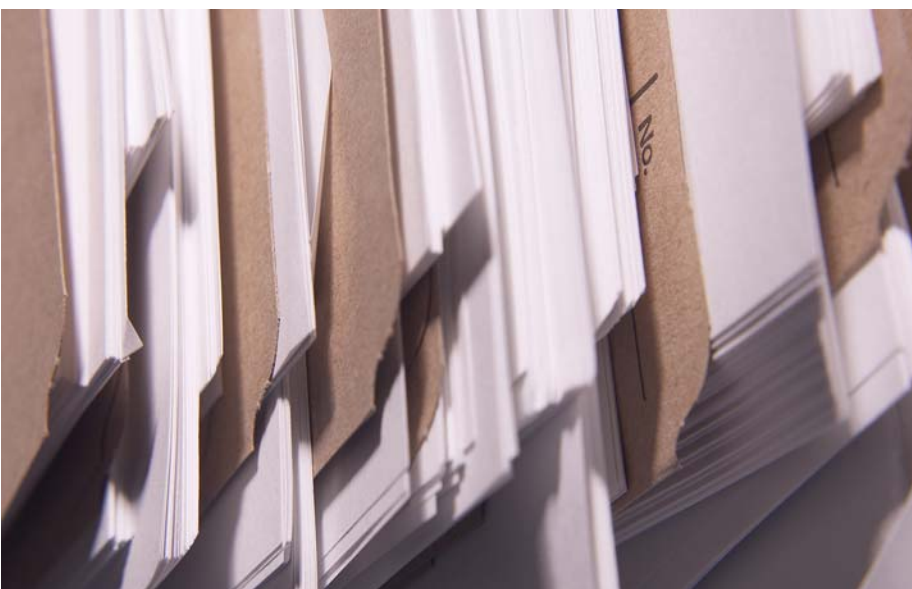
Permits or licenses are required for activities including the following:

- wholesale trade and production of alcoholic beverages;
- conducting economic activities in special economic zones;
- establishment of an investment fund or a pension fund;
- operation of a bank;
- operation of an insurance company or brokerage agency;
- operation of casinos, organisation of lotteries and gaming;
- railway transport;
- road transport;
- private investigation services;
- operation of a customs agency;
- tourism agency activities.

The import and sale of certain goods requires certificates, licenses or proof of standardisation. Such goods include cosmetics, goods designated for children (crayons, paints, etc.), goods that are to be in contact with drinking water, human remains, animals, meat, biological materials,

authorities. These activities may be divided into four groups:

- activities that may be performed after obtaining a concession;
- activities that may be performed upon entry into the register of regulated activities;
- activities that may be performed after obtaining a permit;
- activities that may be performed after obtaining a license.



plants and harvestable materials.

Imports of certain goods are prohibited: (e.g. waste, asbestos and agents destroying the ozone layer). Other import limitations may be introduced temporarily, in order to protect the Polish market.

Export restrictions apply for example to certain cultural artefacts and monuments of national heritage. Other export restrictions, including export prohibition or the obligation to obtain an export license, may also be imposed by the Polish authorities on the basis of regulations issued by the Minister of the Economy.

Some import restrictions arise from international regulations. These apply to endangered species of animals and plants, advanced technologies and goods subject to international embargoes.

The time required for issuing a permit or license depends largely on the given case. By law the authorities should not exceed a 2 month period for such proceedings.

Types of activity requiring a concession

Type of activity requiring a concession	Authority issuing the concession
Exploration, identification and excavation of minerals and mineral materials, both from deposits and from waste remaining after mining works and after the processes of enriching minerals; non-tank storage of substances in mounds and storage of waste in underground mines	Minister of the Environment (approval of other authorities may be required in certain special circumstances)
Manufacturing and trading in explosives, weapons and ammunition, as well as goods and technology for military or police use	Minister of Internal Affairs and Administration
Production, processing, storage, transmission, distribution and trade in fuels and energy	President of the Energy Regulatory Authority
Protection of people and property	Minister of Internal Affairs and Administration
Air transportation	President of the Civil Aviation Office
Broadcasting radio and television programs	National Broadcasting Council

1.4. Process of establishing and registering an entity

1.4.1. Establishing and registering an entity

As was indicated, following the signing of the Articles of Association/Statutes of a limited liability and joint stock company in the form described above, the entities acquire the status of companies in organisation. This does not concern partnerships, which are created only upon registration in the register of entrepreneurs. The next steps in setting up a company are:

- specimen signatures of persons authorised to represent the company;
 - certificate from the Central Statistical Office on the REGON number;
 - copy of the application for registering the company in the National Court Register including the court's stamp confirming the filing of the application (this document is usually required in order to transform the deposit account into a regular account).
- The above list may vary depending on the bank chosen by the company.

Registration of a company by the tax office usually takes approximately 1 month, after filing all the necessary documents.

- the arrangement of the company's business address - which will constitute the registered office. This requires either acquiring real estate or concluding a lease agreement for relevant premises;
- applying to the Central Statistical Office (CSO) for a statistical identification number (REGON). Registration of a company by the Central Statistical Office takes 1-2 days and is free of charge;
- opening a bank account for the purpose of paying in the share capital of the company.

According to Polish law, every business entity must have an account in a Polish bank. Banks usually open deposit accounts for companies in organisation - such a deposit account is used to pay up the share capital. Subsequently, the account number must be presented to the tax office.

The following documents will be required by most banks to open such an account:

- the articles of association or the statutes;

Further steps in settings up a company are:

- paying up the share capital for the company - the entire initial capital (an in cash or in-kind contribution) in the case of a limited liability company, or at least 25% of the issued initial shares in the case of a joint-stock company;
- filing the application to the National Court Register for registration of the company (described in more detail below),
- filing an application for the purpose of registering the company with the tax office and obtaining a taxpayer identification number (NIP).

Registration of a company by the tax office usually takes approximately 1 month, after filing all the necessary documents. The fee for obtaining a NIP number is PLN 150. Registration at the appropriate District Court requires the following documents for a limited liability company:

- a written application;
- the articles of association;
- a document appointing the members of the Management Board;
- the Management Board's specimen signatures;
- a representation from all the members of the Management Board that the contributions to pay up all the shares in the initial capital have been made.



The documents required from a joint-stock company are:

- a written application;
- the company's statute;
- the notarial deed on the company formation and the acquisition of the stock;
- a representation from all the members of the Management Board that the contributions for the stock required by the statute have been made in accordance with the law;
- confirmation of payment for the stock from a bank or investment institution;
- a document appointing the members of the Management Board and Supervisory Board;
- specimen signatures of all members of the Management Board.

Registration of a company by the Registration Court usually takes approximately 3-4 weeks, after all of the necessary documents have been filed.

The court fee for registration is currently PLN 1,000 and PLN 500 for obligatory publication of the incorporation in the Official Commercial and Legal Gazette.

The time needed to fully establish and register a company is approximately 2 months. The cost is PLN 1,650, which is the registration fee, but does not include the funds needed to pay up the share capital in companies (PLN 50,000 for a limited liability company and limited joint-stock partnership, PLN 500,000 for a joint-stock company) and notarial fees for preparing the articles of association (with the exception of a civil partnership and a registered partnership, where a notarial deed is not required).

A limited liability company and a joint-stock company become legal persons after obtaining their National Court Register number (KRS). However, all actions and agreements made by them before, as companies in organisation, remain valid.

1.5. Office rental

Office rents are denominated in USD or EUR, but paid monthly or quarterly in Polish zlotys (PLN). With Poland's new EU status and strong exchange rates, landlords are encouraged to quote rents in EUR. Additionally, tenants are obliged to pay service charges, which average between EUR 3.5 and 5 per sq. m per month. They mainly include the following costs: water, electricity, heating, air-conditioning, maintenance, cleaning, etc. They are added to the net rents and are generally calculated according to floor space. A charge is also usually added to the net office space for common areas.

The charge is calculated on the pro rata share of common areas used (lift lobby, reception, toilets, etc.). Tenants are obliged to pay 22% value added tax (VAT) on the rent and service charges. The level of the rent depends on location, quality of finish, size and the rental term.

The Polish office market is still a tenant's market. Various incentives are offered by landlords to attract new tenants that have a significant impact on the net effective rental values (a 10%-15% reduction in rents). These include a fitting-out allowance, rent-free periods (from 1 to 9 months) or free parking spaces. Rental agreements are becoming more standardised, which in turn makes office premises more secure for investors. The level of rents is becoming closer to that of other European cities, such as Vienna, Berlin or Amsterdam.

1.6. *Acquiring real estate*

Real estate, as defined under Polish law, comprises land, buildings on plots of land and premises (apartments, office space, etc.). Real estate can be used under the following legal forms:

- ownership right;
- perpetual usufruct, where ownership of the land rests with the State Treasury or a municipality. The perpetual usufruct gains ownership rights over the buildings on a given plot of land and the right to use the land for a period of 40-99 years in return for an annual charge of 1% (land under residential buildings) or 3% (other land) of the value of the land. The period of the perpetual usufruct must be prolonged unless it is in conflict with the purpose of the plot of land determined in a local zoning plan. The leaseholder may sell the right or use it as security on loans;
- usufruct;
- lease or rental.

The main difference between lease and rental is that a leaseholder acquires the right to use the land and takes full financial advantage of the land's properties over the duration of the lease contract. The leaseholder pays a fee to the landlord for those rights. In the case of rental, only the right to use the rented item is acquired in exchange for the rental charges paid to the person letting the object, who is usually the owner or holder of a long-term lease.

The handover of property ownership requires a contract in the form of a notarial deed. The transfer takes place at the moment of the conclusion of the handover contract. A perpetual usufruct contract must be concluded in the form of a notarial deed. An additional condition for the right of perpetual usufruct to come into existence, other than the above contract, is the entry of this right into the land and mortgage register (see

below). The transfer of the right of perpetual usufruct to another entity takes place in accordance with the regulations governing the establishment of this right, as mentioned above.

It is also possible to conclude a preliminary contract to transfer ownership or the right of perpetual usufruct. As a result, the owner or the perpetual usufruct is obliged to transfer his right to the other party to the above contract for the price and by the deadline specified in this contract. In order to do this, the parties to the preliminary contract must conclude a final contract on the transfer of any of these rights. Both contracts, i.e. the preliminary and final contracts, must be notarised; otherwise, they are invalid.

The legal status of real estate is reflected in records called land and mortgage registers which are held by selected district courts. It is assumed that the legal status of real estate disclosed in a land and mortgage register is correct and, as a result, is that found in such a register. The negation of a right revealed in a land and mortgage register requires appropriate court proceedings. Land and mortgage registers are open and accessible to all.

Anyone is able to obtain an extract from the land and mortgage register containing all of its listed information.

All purchase of real estate or perpetual usufruct contracts must be made in the form of a notarial deed, otherwise being invalid.

A foreigner may purchase real estate or perpetual usufruct only after receiving permission from the Ministry of Internal Affairs and Administration (after approval by the Ministry of Defence and, in the case of farmland, also after receipt of approval from the Minister of Agriculture). The main exceptions to this rule are when the

foreigner is citizen or company from a Member State of the European Economic Area (details described below) and where the ownership or perpetual usufruct right has been inherited.

Permission is also required in the case of acquisition or receipt of shares / holdings in a company by a foreigner, if this company owns or is in possession of the right of perpetual usufruct of real estate, if:

- through this transaction, the company becomes a controlled company (the shareholder has the majority of the votes at the General Meeting of Shareholders and has the right to appoint members of the Management Board, members of the Supervisory Board and others, as provided for in article 4.1, item 4 of the Code of Commercial Partnerships and Companies);
- the company is a controlled company and the shares / holdings are acquired by an entity which was not a shareholder before the transaction.

This permission is not required when the shares of the company are traded on the Stock Exchange. Since the date of Poland's accession to the EU (1st May, 2004), foreigners who are citizens or entrepreneurs of EC Member States have not needed permission to purchase real estate or to acquire or receive shares / holdings in a company if this company owns or is in possession of the right of perpetual usufruct of real estate.

Exceptions to the above are:

- farmland and woodland - permission is required during the first 12 years from the date of Poland's accession to the EU.

However, permission is not required if several conditions are satisfied: if the person who wants to purchase real estate is a leaseholder over a specific period (seven years for western regions of Poland and three years for the remainder, starting from the official authentication of the lease contract), and if the

leaseholder personally conducts agricultural activities and lives legally in Poland;

- "second house" - permission is required during the first five years from the date of Poland's accession to the EU (however, permission is not required if a foreigner has lived legally and continuously in Poland for four years, or if he purchases a "second house" in order to conduct business activities in tourism services).

This permission is not required when the shares of the company are traded on the Stock Exchange.

The Ministry of Internal Affairs and Administration must issue the permit in question within:

- a maximum of 30 days in the case of real estate located in Special Economic Zones;
- a maximum of two months in the case of other real estate.

The exception to the above rules is the case of companies that have acquired or are in the process of acquiring real estate with an area not exceeding 0.4 ha, on condition that the real estate is located in a developed area and is to be used for the company's statutory purposes. Non-compliance with the above rules may result in the land purchase agreement being deemed invalid.

A foreigner intending to buy real estate in Poland may apply for a promise to receive the above permission. The promise is issued in accordance with the principles of issuing administrative decisions. It is valid for a period of six months from the date of issue and obliges the Minister of Internal Affairs and

Administration to grant permission unconditionally for the purchase of real estate. Rejection can only occur in the event of a considerable change in circumstances. The promise may also be issued to a legal entity with its registered office in Poland that is considered a foreign entity under the Polish legal system.

A proprietary right (or rights) owned by the state or a municipality may only be sold through an auction. In other cases, the sale can take place through private negotiations. The municipality or district is responsible for the construction of technical infrastructure (e.g. roads, water supply system, sewage system, power grid) but the owner of the real estate located on the developed area must participate in the cost of the construction of such devices by paying a special fee. This fee is set by the district/municipality authorities.

As in other EU countries, Poland has real estate agencies that help buy and sell real estate. They also have information on the prices of real estate. They generally have websites where this information is also available.

1.7. Property and real estate permits

Special permission from the Ministry of Internal Affairs and Administration is required if a foreign company (i.e. a company directly or indirectly controlled by a foreigner) wishes to purchase real estate in Poland. A permit is not required in the case of foreigners who are citizens or companies from Member States of the European Economic Area, except for:

- the acquisition of agricultural land and woodland, for 12 years from the date on which Poland acceded to the European Union;
- a second home, for 5 years from the date on which Poland acceded to the European Union.



1.8. The construction process

According to the Construction Law, the construction process may be undertaken only after obtaining building permission from the construction supervisory authorities (a national administrator). This permission must be in line with the local zoning plan.

Under the Zoning Law, local zoning plans specify the purpose of the land, the layout of public purpose investments and a specification of the methods and conditions of land development. If a zoning plan exists for the area planned for the investment, an application for building permission may be filed directly on the basis of this plan.

If there is no zoning plan, planning permission must be obtained before the methods of land development can be determined. This is issued by the head of the municipality or the town's mayor, and is binding on the authority that later issues the building permit. The planning permit may only be issued when all the following conditions are met (with certain exceptions regarding, for instance, production investments):

- at least one neighbouring plot, accessible from the same public road, has been developed in a way that allows the requirements for the new land development methods to be determined, i.e. maintaining the same purpose, parameters, features and ratios affecting land development, including architectural outlines and structural forms, building line and degree of land use (the so-called "good neighbour" principle);

- the land has access to a public road;
- the existing or planned infrastructure is adequate for the investment;
- no change of use consent is required for agricultural or forest land to be used for non-agricultural or non-forest purposes, or consent has been obtained on the basis of local plans that are no longer valid;
- the decision is compliant with separate regulations (e.g. the Environmental Protection Law, the Act on the Protection of Forests and Agricultural Land, the Monument Protection Act).

Proceedings regarding establishing development conditions may be suspended for up to 12 months from the date on which the application is filed.

In addition to the planning permit, the application for building permission should also be accompanied by a construction design prepared by an authorised person in compliance with the specific construction and technical regulations. The design may be submitted for approval even before applying for a building permit. In such a situation, the application for a building permit must be submitted during the period when the decision approving the design is valid. This period is specified in the decision approving the design, but may not exceed one year. The law specifies all other conditions that should be met, as well as documents that should be attached to the application for the building permit.

The building permit expires if the construction does not commence within two years of the date from which it was obtained, or if the construction is temporarily suspended for a period of longer than two years. The use of the completed building or facility may commence upon notification of the construction supervisory authority 14 days before the first use of the construction facility and an obligatory inspection (some exceptions exist). The construction law also provides a method of legalising facilities erected without build-

ing permission or not in compliance with the building permission. However, such facilities may only be legalised if:

- the documents presented by the investor show that the facility complies with the regulations specified above, including the planning permission and, in particular, with the requirements of the applicable local zoning plan;
- building plans are presented with all the required details;
- a fee for legalisation is paid.

The current Law on Spatial Development eliminates the need to obtain planning permission. This only applies, however, to the areas for which new detailed zoning plans have been approved (in all other regions, planning permission will still be required). Such decisions can be legally transferred to third parties. This opportunity could prove particularly valuable to those selling their investment properties together with valid and final development decisions.

Development of land must be consistent with the local zoning plan (if such a plan exists). Any planning permission which does not comply with the plan is deemed invalid. If the previously issued decisions are not consistent with the new or revised plan, they expire unless building permission has already been issued.

The transfer of land destined for commercial or residential use is generally subject to VAT, with certain exemptions.

1.8.1. Building permission

The primary authority in the supervision of construction is the national administrator. He is empowered to delegate decisions to the municipality.

The national administrator should be approached for building permission. The Voivode (Wojewoda, Marshal of a region or voivodeship) supervises special building projects (such as airports, hydro-technical con-

structions, military, defence and security constructions, etc.). He also serves as the instance of appeal against the decisions of the lower administrative level.

The above bodies supervise and audit the compliance of projects with the Construction Law. In other words, these bodies ensure that the plans envisaged conform with the law before building permission or approval for a construction project is issued.

Construction formally begins at the time when the preparatory work on the construction site commences.

Construction formally begins at the time when the preparatory work on the construction site commences (i.e. surveyor's delimitation, levelling the site, establishment of the construction site, including construction of temporary buildings and connection to the utility network for the needs of the construction site). No later than seven days before the start, the investor is obliged to inform both the authority that granted the permission and the supervising architect of the date when construction is due to begin. A written statement signed by the construction manager and the investor's inspector, who assumes responsibility for managing the building process, should be attached.

The people participating in the building process are:

- the investor;
- the investor's inspector;
- the architect;
- the construction manager.

The functions of the construction manager

and the investor's inspector must be performed by separate individuals.

The investor is obliged to inform the appropriate authority in the event of the replacement of the construction manager, the investor's inspector or the chief architect, specifying the date of the change.

Construction supervisors may include a clause in the building permission stating that after completion of the building process, the investor must obtain building occupancy permission. In such a case, the investor is obliged to send the notification of completion of the construction works to the following authorities:

- Environmental Protection Inspection Office;
- Sanitary Inspection Office;
- State Fire Brigade;
- National Labour Inspectorate.

The above authorities are given 14 days to register any objections. If no response is received within that time, it is assumed that there are no objections.

Documents which need to be included in the notice of completion of the construction are:

- the original construction logbook;
- a statement by the construction manager on compliance of the construction designs with Polish standards,
- regulations and permissions stating that the construction site is in a state of order (including the street and the neighbouring property, if used);
- a statement that bordering areas are properly managed, if the use of the building requires this;
- reports of examinations and checks;
- a post-works survey list;
- confirmation of handover of connectors for use.

1.9. Employment of workers

1.9.1. Labour law

The objective of Polish labour law is to regulate the contractual conditions of employment, with special protection of employee rights. This role is fulfilled by the Labour Code, which is the most important legal act governing labour in Poland. Every employment contract should comply with the provisions of the Code. In cases where the provisions set out in an employment contract are less favourable to the employee than those of the Code, such provisions are deemed invalid and are automatically replaced by the relevant provisions of the Code.

These rules also apply to sources of labour law other than an employment contract, namely collective bargaining agreements and work regulations. Apart from the most important act on labour issues - the Labour Code, there are many other regulations in this area (such as the Trade Unions Act).

The sources of labour law, other than the Labour Code described below contain a summary of the characteristics of the work regulations and collective bargaining agreements, as well as the principles of labour law.

Work regulations

The work regulations set the organisation and order of work, as well as the rights and duties of the employer and employees. Every employer is obliged to implement work regulations unless he employs fewer than 20 workers or the issues that are to be dealt with by the work regulations are already stipulated in an effective collective bargaining agreement.

The most important matters contained in the work regulations are:

- the organisation of work and the provision of tools and materials to employees;
- working time;



- night-time work;
- the time, place and frequency of paying remuneration;
- the duties related to occupational safety and health (OSH);
- the list of jobs that youths and women are prohibited from performing.

The work regulations are to be adopted by the employer after consultation with trade unions. If an agreement is not reached within a specific time and at plants where trade unions do not operate, the work regulations are specified by the employer.

Collective bargaining agreements

Collective bargaining agreements are a specific source of labour law. In general, every such agreement should set the conditions to be met by employment relationships. The collective bargaining agreements should at least include the setting of principles of remuneration. They also include the mutual obligations of the parties.

Collective bargaining agreements are concluded between an employer and trade unions.

Principles of labour law

The following should be listed as being among the principles of labour law:

- the employer's respect of the employee's dignity and other personal interests - this is one of the fundamental duties of the employer; a serious breach of this principle may constitute grounds for the employee terminating the employment contract with immediate effect; personal interests include health, freedom, honour, freedom of conscience and privacy;
- the employee's right to decent remuneration for his work - this means that the salary paid to a worker should be equivalent to his effort made in the performance of his job. Importantly, the regulations of labour law set the minimum level of remuneration whereby employers are not allowed to pay lower salaries (the minimum monthly salary in Poland set for 2008 is PLN 1,126, approx. EUR 318);
- the right of employees to rest - guaranteed both by the Polish Constitution and the provisions of the Labour Code. This right is implemented by the regulations on working time (in general, 8 hours per day and an average forty hours per week) as well as by the regulations on annual leave (in general, every employee is entitled to 20 or 26 days paid annual leave). Where the employer breaches the regulations on work time, he is subject to liability for an offence;
- the employer is obliged to treat employees equally in terms of entering into/terminating employment relationships, working conditions, promotion and access to occupational training regardless of their sex, age, disability, race, religion, nationality, political views, membership in trade unions, ethnic origin, sexual orientation, employment for a specified or unspecified duration as well as full-time or part-time employment (these circumstances cannot affect the employer's decisions on employment matters). Employees also have the right to

equal remuneration for identical work or work that has an identical value. Where the employer fails to treat employees equally for the reasons stated above (for example by unjustified dismissal of a disabled employee, omitting him from promotion), this is considered to be discrimination. All discrimination, direct or indirect, is forbidden. A discriminating employer is obliged to pay compensation.

1.9.1.1. *Employment contracts*

Employment contracts may take various forms:

- a temporary contract for a probationary period, no longer than three months. The contractual conditions may be renegotiated at the transition to permanent employment, or they may remain unchanged. If the parties do not reach agreement as to the future contractual conditions, the contract expires at the end of the probationary period;
- unlimited duration contract, i.e. a permanent employment contract;
- fixed-term contract.

Work may also be performed under the following civil law contracts:

- personal service contract (*umowa zlecenie*) - concluded for the performance of a specified activity, (and not necessarily for a specified period), with remuneration related to the performance of the activity that constitutes the substance of the contract;
- specific task contract (*umowa o dzieło*) - concluded for the performance of a commissioned activity, leading to the achievement of specified results, with the remuneration related to the results of the work. This type of contract is regulated by the provisions of the Civil Code and therefore, the issue of protection of employee rights does not arise.

A contract of employment should be drawn up in writing and should include all the most important employment conditions, such as the parties, the type and date of the contract, the place and nature of the work performed, the remuneration corresponding to the nature of the work performed with an indication of the elements of the remuneration, work time and start date.

Since 2003, Polish labour law, as embodied in the Temporary Employment Act, has allowed for the employment of workers by temporary employment agencies based on two contracts: an employment contract between the agency and the employee and a service contract between the agency and an employer for whose benefit the work is performed). The latter should specify the nature of the work, the required qualifications, the place of work, as well as the period of work and the working hours.

An employee is obliged to perform his work with due diligence in the hours specified in the contract, carry out the instructions of his supervisors and act solely in the interest of the employer. Employees can be held accountable for damages caused to the employer up to an amount equivalent to three months' salary, unless the damages relate to an item entrusted to the employee (e.g. cash) or the cause of the damage was intentional.

1.9.1.2. Dismissals

Employment contracts expire automatically at the end of the term for which the contract was concluded (in the case of fixed-term contracts), or when a given activity or task has been completed (in the case of personal service contracts and specific task contracts), or upon mutual consent of the parties to the contract.

An employment contract can also be terminated upon a declaration by one of the parties. In

general, the minimum notice period required when dismissing an employee depends on the length of service with the employer (exceptions to the prescribed notice period include a change in ownership or transformation of the company). Standard notice periods of an unlimited duration contract are:

An employment contract can also be terminated upon a declaration by one of the parties.

- 2 weeks - for a duration of employment of up to six months;
- 1 month - for a duration of employment of between six months and three years;
- 3 months - for a duration of employment of over three years.

Other notice periods are stipulated for probationary period contracts and for fixed-term contracts.

The following groups of employees, among others, are legally protected against dismissal: people within four years of retirement age, pregnant women, women on maternity leave, people on annual leave or sick leave, board members of trade union organisations, and members of works councils. Notice should be provided in writing and, in the case of a permanent employment contract, it should also state the reasons for the dismissal.

Dismissal without notice due to the fault of the employee is possible if the employee:

- seriously violates his basic employment duties;
- commits an offence, making his employment in the present post impossible, if the offence is obvious or confirmed by a legally binding court ruling;
- loses the license required for performing the duties connected with his post.

Dismissal without notice is also possible:

- if the employee is unfit to work because of sickness:
 - a) longer than three months, if the employee has been employed by a given employer for less than six months;

All litigation between the employer and employee is settled by the Labour Court.

- b) longer than the period in which he receives social insurance benefits and a period of three months where he receives remedial benefits (which is approx. 272 days), if the employee had been employed by a given employer for at least six months or if he has become unfit to work due to an accident at work or through sickness;
- in the event of the employee's justified absence from work for reasons other than those mentioned above for a period of more than one month.

Irrespective of the way in which the employment contract is terminated, the employer is obliged to present the employee with his work certificate (containing information used as a reference by his next employer, e.g. regarding holidays, sick leave, etc.). The certificate may also include information on remuneration at the employee's request. The employee is entitled to demand that amendments be made to this certificate if he disagrees with its content.

All litigation between the employer and employee is settled by the Labour Court. In general, the court fees in cases related to the employee's claims under an employment relationship are relatively low. Collective dismissals are possible in Poland (under the Collective Dismissals Act), but they

must generally (with some exceptions) be agreed with the trade unions and require the implementation of official procedures, as well as the payment of severance pay.

1.9.1.3. Remuneration

Salaries should be negotiated individually with every employee, unless they are subject to a collective bargaining agreement. The minimum salary in Poland is negotiated periodically by the Tripartite Commission (comprising employee, employer and government representatives). Basic salaries must be paid at least once a month in cash, in accordance with the rules and regulations that apply at the given workplace.

With a few exceptions, salaries must be calculated and paid in PLN. Foreigners may transfer their remuneration abroad once all the relevant taxes have been paid.

Salaries should also be paid during the periods when the employee is not able to work for reasons that are beyond his control, as well as for a period of sick leave of up to 33 days in a given calendar year (remuneration is then paid at a level of 80% of the amount of the salary). If the incapacity to work due to sickness exceeds 33 days in a given calendar year, the employee receives sickness benefit from the Social Insurance Institution (ZUS). In the event of an employee's death, his family has the right to severance paid at an amount from one to six months' remuneration, depending on the employee's length of employment.

1.9.1.4. Work time

In general, working hours should not exceed an average of 8 hours per day and 40 hours per week in an average five-day working week over any settlement period of no longer than four months. However, the Labour Code provides for several exceptions to this rule. Overtime (i.e. work performed outside the hours applicable to an employee specified in the contract) is permissible only under the following conditions:

- rescue operations saving the lives of people or protecting property, or
- extraordinary requirements of the employer,

and the overtime performed cannot exceed 150 hours in a calendar year unless an individual contract, internal regulations or collective labour agreements do not provide for a higher amount of overtime of up to 416 hours in a calendar year.

Weekly work time, including overtime, may not exceed an average of 48 hours in a given settlement period (given that employees are allowed to have 11 hours of rest during every 24 hours and that an average working day is no longer than eight hours, in practice, overtime is a maximum of five hours per day).

An employee working overtime is entitled to an additional:

- +50% of basic pay for overtime work;
- +100% of basic pay for overtime hours on Sundays and holidays, which were not designated as working days for the given employee; at night-time (i.e. between 9:00 p.m. and 7:00 a.m.); and on a rest day given to an employee in exchange for work on Sunday, or a national holiday, in accordance with the given employee's working schedule.

Employees in managerial positions are not generally entitled to extra remuneration for working overtime. However, heads of separate organisational units, if required by their



employer to work on Sundays or on public holidays are entitled to a day's leave in lieu (if they do not benefit from financial compensation).

Work is permitted on Sundays and holidays in, e.g. rescue operations; in industries that have a continuous production cycle; in work performed in a "continuous operation system"; in work performed exclusively on Fridays, Saturdays and Sundays; as well as in the public utility sectors.

In situations where two public holidays fall between Monday and Saturday inclusive, the employee's working time is reduced by 8 hours for each of these holidays. This means that employees will not be required to make up the working time on another Saturday to meet the statutory work time limit, which has been the case till now.

Paid leave cannot be renounced or financially compensated. Employees in their first job are eligible to take their first annual leave after one month of employment, to a level of 1/12 of their annual leave. In each subsequent year of employment, the employee is entitled

to the full amount of annual leave. The number of days allowed as paid leave depends on the employee's employment history:

- 20 days - up to 10 years of employment;
- 26 days - after 10 years of employment.

Time spent in education is also included in the calculation of the period of employment, depending on the level of education completed. Detailed regulations for these calculations are specified in the Labour Code (after completion of secondary education - four years, after completion of tertiary education - eight years).

Employees are eligible to 18 weeks of maternity leave at the first birth, 20 weeks for subsequent births or 28 weeks in the case of a multiple birth. At least two weeks of this leave should be taken before the expected delivery date.

The Labour Code contains additional provisions for periods of sick leave and one or two days are allowed for extraordinary events such as childbirth, weddings, funerals, etc.

Occupational safety and health (OSH)

The employer is obliged to ensure occupational safety and health (OSH). In particular, he is responsible for the observance of OSH regulations by employees (this is a fundamental duty of the employee). If employees fail to observe these regulations, the employer has a duty to give instructions and orders to enforce an appropriate attitude. The employer also has a duty to provide training to employees regarding OSH.

Every employer starting business activity (i.e. an enterprise planning to employ workers) has a duty to notify the labour inspectorate and the health and safety inspector of this in writing within 30 days of starting business activity. The labour inspectors are authorised to inspect the observance of the OSH regulations at any time.

Before starting work, every employee must obtain a medical certificate stating he is capable of working in the given position (the employer must prepare the application for the medical examination and pass it to the employee). If the enterprise employs more than 100 employees, it has a duty to appoint an OSH officer, who performs control and consulting functions regarding OSH. Where the number of employees is no more than 100, the employer entrusts OSH duties to a nominated employee. An enterprise employing more than 250 employees has a duty to appoint an OSH commission, which is a consultative body to the employer. The commission consists of the employer's representatives, as well as members of the OSH staff and employee representatives.

Protection of women's work / rights connected with motherhood

Protection of women's work / rights connected with motherhood:

- women are not allowed to perform heavy work and work that is harmful to health;
- the employer cannot terminate an employment contract during the period of pregnancy or during maternity leave;
- pregnant women cannot be employed during overtime hours or during night-time hours;
- pregnant women cannot be seconded away from their permanent places of work without their prior consent;
- after the child's birth, its mother has the right to a break for the purpose of feeding the child (two 30 minute breaks included during working time);
- an employee who is employed for at least 6 months (which also includes previous employment) is entitled to parental leave to take care of his children up to the age of 4; the duration of this leave cannot exceed 3 years - the employer cannot terminate the employment contract during parental leave (this prohibition applies to the time starting

from the date of submitting the request for parental leave).

1.9.2. Trade unions

According to Polish law, both employees and employers have the right to form organisations in order to represent and defend their interests.

All employees have the right to associate and join trade unions. This right is guaranteed by the Polish Constitution, the Labour Code and the Trade Unions Act.

An employee may not suffer adverse consequences because of membership of, or refusal to join, a trade union. It is forbidden to make employment or promotion conditional upon membership of a trade union. Persons representing trade unions enjoy special protection against dismissal. A trade union may be formed by at least 10 employees.

The Trade Unions Act provides for consultation with trade unions in several cases.

According to the Labour Code, an employer is obliged to consult the trade union representing a particular employee in the event of the dismissal of an employee on a permanent employment contract.

According to the Collective Dismissals Act, consultation and negotiation with trade unions on the terms of dismissal is also necessary in the event of mass redundancies.

If no trade union exists in a work establishment, representatives of the employees should be consulted in the above situation.

1.9.3. Employment offices

There are various methods of seeking work in Poland. However, it is recognised that an application (a CV and a covering letter) sent directly to an employer considerably increases the chances of employment. It is possible to seek job offers through state

employment services, non-state employment agencies, press advertisements and through the Internet.

State employment services

There are links to borough (powiat) labour offices on the websites of regional (województwo) labour offices, which post job offers on the Internet. According to the Act on the Promotion of Employment and Labour Market Institutions, citizens of EU Member States, as well as citizens of countries with which the European Union has signed agreements on the free movement of persons, have

According to Polish law, both employees and employers have the right to form organisations in order to represent and defend their interests.

the right to use the labour agency services offered by the borough and regional labour offices. The use of these services is conditioned upon registering at a borough labour office as being unemployed or seeking work. Anyone wishing to register as unemployed or seeking work at a local borough labour office must provide school certificates, work certificates and a personal identification document.

Administrative borough labour offices, as well as information and career guidance centres operating within the framework of the state employment services have computer terminals with Internet connections at their disposal for clients. Both local and national press is also available.

Non-state employment agencies

Non-state employment agencies have been operating on the Polish labour market for a number of years, conducting personnel search and selection for employers. This recruitment method is becoming increasingly popular, especially in large industrial cities (with populations over 100,000), such as Warsaw, Poznań, Kraków etc. These agencies are keen to advertise their services on the Internet. Employment agencies in Poland must be entered into the Register of Employment Agencies held by the Ministry for Labour and Social Policy. A certificate is issued as confirmation of such an entry. A list of registered agencies may be obtained from regional and borough labour offices, as well as information and career guidance centres. It can also be found on the website of the Labour Office information service, under the heading of employment agencies.

Job offers in the press

The most popular national Polish daily newspapers with job offers are the "Gazeta Wyborcza" Jobs supplement (Praca) on Mondays, the "Rzeczpospolita" My Career supplement (Moja Kariera) on Wednesdays and the "Życie Warszawy" Work and Education supplement (Praca i Nauka) on Wednesdays. These supplements contain job advertisements for managers, directors, junior managers, finance and banking experts, engineers, IT specialists, accountants, secretaries and clerks.

Furthermore, job offers are published in all local daily newspapers. However, these are usually job advertisements within the respective region. They contain job advertisements for manual workers, such as carpenters, welders, drivers, construction workers, etc. Some newspapers such as "Gazeta Wyborcza", which publish job advertisements, also post the information on their websites.

Job offers on the Internet

The Internet is the richest source of information for job advertisements in Poland. Here, it is possible to find many advisory services, employment agencies, job advertisements, press advertisements, discussion group pages and information on companies. This information may be searched using various search options, ranging from the preferred place of work to the type of job.

1.9.4. Residence and work permits

1.9.4.1. Right of residence

Visas applicable to non-residents intending to stay in Poland can be of several types:

A temporary residence visa allows the holder to stay in Poland without being employed or running profit-oriented activities. A temporary residence visa is issued for a limited period. The total time for which a foreigner is permitted to stay in Poland on such a visa cannot exceed six months within a 12-month period from the date of his first entry.

A visa with a work permit entitles the holder to be employed or be involved in profit-oriented activities. A visa with a work permit can be granted to a foreigner who has received a work permit by the Voivode (province governor) with jurisdiction over the territory where the employer's company has its registered office. The visa is issued for the duration specified in the work permit, but for no longer than one year. The visa may be extended.

Afterwards, a foreigner who wishes to remain in Poland must apply for a temporary residence permit. Visas are issued in the home country of the individuals by Polish diplomatic agencies and consular offices. Visa extensions are issued in Poland by the voivodeship authority with jurisdiction over the territory where the foreigner is staying or planning to stay.

A temporary residence permit can be granted when a foreigner proves the existence of justifying circumstances, which can be e.g. the receipt of a work permit or conducting business activities in Poland.

Permission for permanent residence can be granted to a foreigner who satisfies the following conditions:

- he can prove his permanent, family or economic relations with Poland;
- he has secured accommodation;
- he has stayed in Poland with permission for at least five years immediately before applying for permanent residence.

All residence permits are issued by the Voivode with jurisdiction over the foreigner's place of residence in Poland.

Citizens of EU and EEA countries do not need to have a visa to stay in Poland.

1.9.4.2. Employment of foreigners

The necessary condition for a foreigner to be employed in Poland (with some exceptions that are provided for by law) is the receipt of a work permit. This condition does not refer to foreigners who, for example:

- are EU nationals,
- are non-EU nationals, but are nationals of countries within the European Economic Area (EEA);
- have been granted a permit to settle in Poland;
- have been granted refugee status by Poland;
- have permission to stay;
- enjoy temporary protection in Poland;
- have consent for a "tolerated stay" in Poland;
- are family members of the foreigners referred to in points 1-7 above (subject to certain conditions);
- are exempt from the need for a work permit on the basis of separate regulations,

e.g. under the Ordinance of the Ministry of Labour and Social Policy dated 31 August 2006 on restrictions on work by foreigners in the Poland, which covers among others:

- a) training or participation in internships or advisory programs conducted within the framework of EU activities or other international support programs;
- b) foreigners from countries with which Poland has signed international agreements allowing for employment without work permits;
- c) foreigners performing art-related services, individually or in teams, for up to 30 days in a calendar year;
- d) citizens of non-EU and non EEA countries who are members of corporate bodies of legal entities in Poland and who have worked in Poland for a period not exceeding 6 months within the previous 12 months.
- e) foreigners who have permanent residence abroad and are delegated to the territory of Poland by a foreign employer for a period of no longer than three months in order to:
 - perform assembly or maintenance work, or repairs of technologically complete structures, machines or other equipment, if these are manufactured by this foreign employer;
 - give acceptance approval for machines or other equipment manufactured by a Polish company;
 - train the employees of a Polish employer who is the recipient of the structures, machines or other equipment, on the operation and maintenance of this equipment;
 - assemble, disassemble and supervise exhibition stands, if the exhibitor is a foreign employer who delegates the foreigner.

The procedure of issuing a work permit consists of the following three stages:

- the employer who intends to hire a foreigner receives a promise that the work permit will be issued;

- the foreigner receives a visa with a work permit or a temporary residence permit;
- the work permit is granted to the foreigner.

Promises to grant a work permit and work permits are issued by the Voivode with jurisdiction over the territory in which the employer's company has its registered office. The promise is granted for a limited period, to a defined person and employer, for a specified position or type of work. The permit is issued on the conditions specified in the promise, for a period that does not exceed the period of residence defined in the visa or the validity period of the temporary residence permit. The Voivode may extend the validity of the work permit granted to the foreigner upon the employer's application. If the foreigner already holds a temporary residence permit on the date of submission of the application for the work permit, the Voivode decides whether to issue the permit without being obliged to grant a promise.

1.10. Polish social security system

Social insurance in Poland consists of pension, disability, accident and sickness insurance. Contributions to pension and disability insurance are payable until a given individual's gross cumulative annual remuneration exceeds the cap amount (currently PLN

85,290). Sickness and accident insurance contributions are paid at the full amount. The obligatory social insurance contributions are payable on a monthly basis. The employer contributes between 14.93% and 17.96% of the employee's gross salary, and the employee contributes 13.71%, up to the level of his/ cumulative earnings of PLN 85,290 in 2008. The amounts of contributions payable by the employer and the employee to each kind of insurance are presented in Table 2 below. Under the current social insurance regulations, the Polish pension system consists of three pillars:

- Pillar I: each individual or employee has a separate account at the social security (ZUS) office, to which pension contributions are paid. The level of the pension insurance contribution to be retained in pillar I depends on whether the individual is eligible / obliged to participate in pillar II. Participation in pillar I is obligatory for everyone covered by social insurance. If the individual is not eligible for participation in pillar II, the total of his pension contribution transferred both by him and his employer is retained by the Social Insurance Institution. If, on the other hand, the individual participates in pillar II, part of the employee's contribution (as illustrated in Table 2) is transferred by the Social Insurance Institution to an open-ended pension fund chosen by the individual.
- Pillar II consists of open-end pension funds. Participation in pillar II is obligatory for everyone born after 31st December 1968 and optional for people born between 31st December 1948 and 1st January 1969. People born before 31st December 1948 may only participate in Pillar I. As indicated above, a part of the pension contribution of individuals participating in pillar II is transferred from their social insurance accounts to the open-ended pension fund of their choice. Table 2 presents the split of pension



contributions between the first and the second pillars.

- Participation in pillar III is voluntary. Within this pillar, contributions are paid either by the employee himself or by his employer (employee pension funds) into life assurance, an investment fund or for additional insurance in a pension fund.

Employees born before 31st December 1948 are not subject to the new social security regulations. They remain within the old pension system, where all pension contributions are paid to the Social Insurance Institution and their pension will be calculated and paid according to the rules that applied before 1st January 1999.

Poland joined the European Union on 1st May 2004 and, since then, the provisions of EU Regulation 1408/71 have been imple-

mented directly as part of Polish social security legislation. This regulation has not replaced the provisions of the national social security law, but has harmonized social security systems within the European Economic Area, i.e. within the EU Member States, Norway, Iceland, Lichtenstein and Switzerland (which is not an EEA Member State, but for ease of reference, for our purposes the term "EEA countries" also includes Switzerland) so as to guarantee that citizens of EEA countries moving within the EEA will not suffer disadvantages regarding their social security. Therefore, as of 1st May 2004, the provisions of Regulation 1408/71 became applicable to citizens of EEA countries performing their duties in Poland (Switzerland adopted this regulation on 1st April 2006).

Obligatory social insurance contributions paid by the employee and the employer (as of 1st April 2006)

Category of insurance	% contributed	Contribution split	
		Employer	Employee
Pension	19.52% of salary including: - 12.22% of the salary to Pillar I - 7.3% of the salary to Pillar II	9.76% of the salary split into: - Pillar I - 9.76% of the salary - Pillar II - no contribution	9.76% of the salary split into: - Pillar I - 2.46% of the salary - Pillar II - 7.3% of the salary
Disability	10% of salary	4.5%	1.5%
Accident	- employers employing up to nine workers: 1.80% of salary - employers employing 10 workers and more: the contribution is between 0.67% and 3.6% of salary, depending on the level of occupational hazard in a given trade	0.67% - 3.6%	-
Sickness	2.45% of salary	-	2.45%
Labour Fund (additional contribution)	2.45% of salary	2.45%	-
Employee Benefits Guarantee Fund (additional contribution)	0.10% of salary	0.10%	-

Based on the above regulations, citizens of EEA countries (Polish and foreign nationals) should only be subject to the social security legislation on an obligatory basis of one Member State at a time. The regulation also stipulates that social security legislation should be applicable to the place where the work is performed. This implies that an individual is subject to social security in the state where he actually works and not in the state where his employer has its registered office (the “pay where you work” principle).

Regulation 1408/71 provides for some exceptions to this general rule. One of these, indicated in Art. 14, item 1a stipulates that individuals who are posted by the organisation to which they are normally attached to the territory of another Member State to perform work for this organisation, shall continue to be subject to their home country’s legislation, provided that the anticipated duration of that work does not exceed 12 months (with the possibility of prolonging it for another 12 subsequent months) and that the individual is not sent to replace another person who has completed his term of assignment. The exemption works automatically, which means that the home country’s social security authorities are obliged to issue a certificate (form E101) confirming the attachment to the home country social security system if the conditions mentioned above are met. The E101 exemption may be subsequently prolonged upon extension of the assignment for another 12-month period (form E102); however, the host country social security authorities should agree to such an extension.

In the case of longer assignments, an exemption for a longer period is only possible following a decision issued under the approval of the social security authorities of both countries. Specifically, Art. 17 of Regulation

1408/71 provides for the ability of the social security authorities of the home and host country to mutually agree on an exception to the general rule under which it is possible to remain in the social security scheme of the home country. Such an exceptional agreement may be granted if, for example, remaining in the social security scheme of the country of usual employment is in the best interests of the assignee. In this case, the social security authority of the home country issues the E101 certificate of coverage after seeking agreement from the social security authority of the host country.

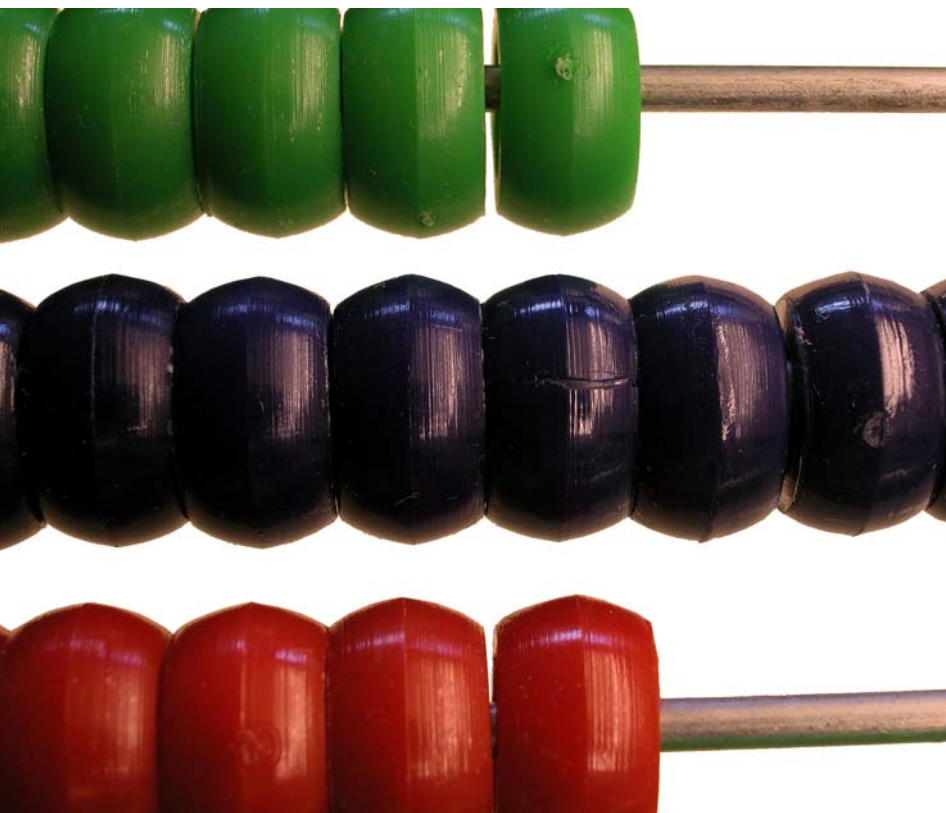
After that period, if an individual continues to work in the host country, this person should be transferred to that country’s social security system. It should be noted that if, during the total period of employment, the person performs services in various EU countries, upon retirement, a pension will be paid by the social security authorities of each of the EU countries in which services were performed on a “pro-rata” basis.

Based on the above provisions, once an assignee is granted an E101 form by the home country’s social security authorities, he should automatically be exempt from the host country’s obligatory social security contributions.

In cases where an individual performs employment duties in several EEA countries during the period of an assignment, he should be subject to social security in his country of residence if he pursues activity partly in that territory, or if he is attached to several organisations or several employers who have their registered offices or places of business in the territory of different Member States (based on Art. 14 item 2a). The above regulations do not apply to individuals from countries other than the EEA who

work / provide their services in Poland.

Accordingly, such individuals are covered by the regular rules of the Polish social security system under the existence of a formal contract, which determines whether an individual is to be included in the Polish social security system or not. In the case of the Polish source of compensation (e.g. an employment contract with a Polish entity), as a rule, social security contributions are due from both the employer and employee. However, when the source of remuneration is located outside Poland (i.e. the individual is paid under a contract signed with a non-Polish entity), the obligatory Polish social security contributions are not applicable.



2. Conducting business activities - basic regulations

2.1. Accounting and finance regulations

2.1.1. Accounting regulations

Polish accounting standards do not differ significantly from international standards, especially after the recently introduced amendments and interpretations. Furthermore, in cases where no national accounting standards exist, the appropriate International Financial Reporting Standard(s) (IFRS) may be applied.

As of 1st January 2005, all companies listed on the Warsaw Stock Exchange are obliged to prepare their consolidated financial statements in accordance with International Financial Reporting Standards. In addition, the Polish subsidiaries of companies listed on any stock exchange within the European Union may decide to prepare their statutory financial statements under International Financial Reporting Standards that have been adopted by the EU, rather than in accordance with local accounting laws.

Accounting may be handled by the company itself (at the company's registered office) or by another authorised entity providing external accounting services. The Tax Office

should be informed of the latter case in writing.

All accounting documentation, records and reports must be prepared in Polish language and Polish currency (zloty, PLN). Only the source documents do not need to be translated into Polish. However, a reliable translation of the specified bookkeeping vouchers must be provided at the request of the fiscal audit authorities or an auditor. All source documents, records and reports for the last five years of activity (including tax returns) must be held by the company. For some specific documents (i.e. relating to employees) this period is extended. The approved annual financial statements must be retained permanently.

Companies must apply the accounting principles specified in the Accounting Act to ensure a true and fair presentation of their economic and financial position, as well as their financial results. Activities (including business transactions) must be entered into the accounting ledgers and disclosed in the financial statements according to the nature of the business. An entity may simplify some elements of the application of accounting rules, on condition that these do not significantly affect the outcome of the accounting and bookkeeping procedures. The manager of the

entity is responsible for the accounting obligations being fulfilled.

The accounting year (which must overlap the tax year) must cover 12 sequential months. Should it not coincide with the calendar year, the appropriate Tax Office should be informed accordingly.

Accounting records, financial statements and book-keeping vouchers should be stored for the periods specified in section 8 of the Accounting Act.

2.1.2. Financial statements

Annual financial statements consist of a balance sheet, profit and loss account, additional information (including an introduction to the financial statements), as well as supplementary information and explanations (notes).

Companies audited in a given year must also present a cash flow statement and a statement of changes in the company's share capital. Together with the annual financial statements, the management must prepare a report on the company's activities, which, in particular, contains information on major events that are material to the company's activities, the company's expected development and major achievements in the area of R&D, as well as the company's present financial condition and projections.

2.1.3. Audits

Annual consolidated financial statements of capital groups and annual financial statements of joint-stock companies, banks, insurers and investment and pension funds must be audited.

Other companies must be audited if two of the following three conditions were met in the preceding financial year:

- average annual employment amounted to at least 50 people;
- the total net turnover and financial income amounted to at least EUR 5 million;
- the total balance sheet assets as at the end

of the accounting year amounted to at least EUR 2.5 million.

The EUR/PLN exchange rate announced by the National Bank of Poland (NBP) on the last day of the fiscal year is used for the calculation.

Audits must be conducted by an independent company with a license to perform audits before the financial statements are accepted by the Annual General Shareholders' Meeting.

All companies that have a duty to prepare annual audits must publish their balance sheet, profit and loss account, statement of changes in the share capital and cash flow statement as well as an introduction to the financial statements, the auditor's opinion, the statement of discharge granted by the Annual General Shareholder's Meeting and the decision on profit distribution in the publication "Monitor Polski B".

The manager of the company must submit all the above documents to the appropriate Court Register for publication within 15 days of the date on which the annual financial statements are approved.

Several changes are envisaged with regard to accounting regulations mainly concerning the implementation of EU directive 2006/46/WE, which will require additional financial statement disclosures regarding:

- the character and purpose of contracts normally recognised as off the balance sheet, (such as special purpose entities, lease or outsourcing contracts);
- related party transactions including those carried out in non-market conditions;
- information about of the auditor's fee including separate disclosure for all types of services rendered;
- establishment of common responsibility for

members of the management, supervisory as well as the administrative board for preparing and publishing financial statements;

- corporate governance principles (for public companies only).

Probably, together with the changes resulting from the above-mentioned directive, other changes will be made that are aimed at closer relations of national accounting rules to IFRS requirements as well as the adaptation of some regulations to new economic realities.

2.2. Taxes

2.2.1. Taxes in Poland

The taxation system is uniform across the Republic of Poland, and only small differences may appear in local taxes. In general, foreign companies and individuals pay the same taxes as Polish legal entities or private individuals. The exceptions to this rule are businesses where taxation is regulated by international treaties signed by Poland (Double Taxation Treaties).

The main taxes in Poland are:

- corporate income tax (CIT);
- personal income tax (PIT);
- Value Added Tax (VAT);
- excise duty;
- stamp duty / tax on civil law transactions.

All companies intending to conduct business activities are given a tax identification number (NIP) after registration with the appropriate local Tax Office. Taxpayers are responsible for keeping their accounts and proper calculation of tax.

2.2.2. Tax system and regulations

All taxes in Poland are imposed by the government in Taxation Acts which set the rules for imposing taxes, their rates and duties, as well as the responsibilities of taxpayers. The Minister of Finance may be authorised by an Act to decree regulations. All legislation is published in official publications, such as the Journal of Laws (Dziennik Ustaw, Dz. U.) and the Official Journal of the Republic of Poland (Monitor Polski, M.P.).

The Tax Ordinance is the most general tax regulation which defines:

- the structure of tax administration;
- general taxation regulations, e.g. payment of taxes and issues concerning tax arrears;
- tax responsibility of third parties;
- tax information;
- tax proceedings;
- fiscal confidentiality.

Taxes in Poland are administered by:

- Tax Offices - units supervising the collection of taxes in their territories. They also issue individual administrative decisions in taxation cases. Fiscal audit offices also exist, which perform taxation and procedural audits of fiscal accounting;
- Tax Chambers - supervise the Tax Offices and are empowered to review the administrative decisions of Tax Offices and Fiscal Audit Offices;



-2.60	10.39	9.75	9.75	-1.5
-3.90	8.06	7.74	7.74	-0.9
-1.60	13.47	12.99	12.99	-0.9
-4.07	7.87	7.45	7.45	-0.9
-3.20	10.82	10.78	10.78	-0.9
-2.11	11.19	11.12	11.12	-0.9
-3.73	9.03	8.60	8.60	-0.9
-2.60	10.43	10.08	10.08	-0.9
-2.10	7.02	6.61	6.61	-0.9
-5.09	9.62	9.27	9.27	-0.9
3.04	11.95	11.54	11.54	-0.9
8.40	9.17	8.56	8.56	-0.9

- the Minister of Finance - is responsible for Polish budgetary policy and supervises the entire taxation system.

Taxpayers may appeal to the Tax Chamber against the decisions of the local Tax Office or Fiscal Audit Office. An appeal against a decision of the Tax Chamber may be directed to the Regional Administrative Court.

Taxpayers are also entitled to resort to the Supreme Administrative Court to review judgments of the Regional Administrative Courts.

The concept of tax rulings existing in Poland. The Minister of Finance issues two types of tax rulings:

- general - aimed at making the application of tax law by the tax authorities uniform (this may be applied by all taxpayers in respect to the background presented by the Minister of Finance);
- individual - issued upon written application of a taxpayer (this may be used only by the taxpayer that obtained the ruling).

The above interpretations are help to avoid certain negative tax consequences of a planned transaction. Namely, in case the tax consequences of a transaction occur after receiving an individual or the publishing of a general interpretation, the taxpayer is not obliged to pay tax liability established by the tax authorities as regards the transaction described in the ruling (in case during a tax audit they present an approach different from the one presented in the ruling). The above exemption from the payment of tax liability would apply to the tax consequences of a transaction that occurred up to the end of the month/quarter/year in which the tax ruling was changed, depending on the tax settlement period. In the event that the tax effects arising from the transaction described in the application occur before receiving an individual or the publishing of a general interpreta-

tion, there would be no exemption from the payment of tax liability. However, generally, the taxpayer who complies with such an interpretation would not be subject to penal-fiscal liability and would not be charged with penalty interest on tax arrears in the event of a dispute with the tax authorities (with respect to the tax arrears that arose before the tax ruling had been changed).

2.2.3. Corporate income tax (CIT)

Companies and organisational units (with the exception of partnerships) are subject to corporate income tax. Taxpayers that have their registered office or their management board in Poland, are liable for Polish CIT on their global income. If a corporate taxpayer does not have either its registered office or management board in Poland, tax is only levied on income derived in Poland. Double

Taxation Treaties may modify these rules. Having satisfied several conditions, companies may establish a "fiscal unity", i.e. a group of companies treated as a single CIT taxpayer (the concept of a "fiscal unity" is discussed in more detail in section 2.2.3.5 of this guide).

2.2.3.1. Taxable income and tax rates

The calendar year is generally the tax year. Taxpayers may, however, select a different tax year covering 12 consecutive calendar months.

Taxable income is the aggregate of all revenues earned in a tax year - both financial and operational (with exceptions), net of deductible costs. Income decreased by additional specific expenses (e.g. deductible donations) constitutes the basis for the calculation of taxation. Generally, tax-deductible costs are expenses borne in the course of generating taxable revenue. Some expenditure, however, is not tax-deductible (e.g. entertainment costs, some kinds of administrative or contractual penalties, etc.). Advertising costs

are entirely tax deductible, while representation costs are not.

Income (tax base) that is calculated in accordance with tax provisions is subject to CIT at a rate of 19%, which ranks among the lowest in Europe.

Revenues / deductible costs generated by a partnership are added to each partner's revenues / deductible costs in proportion to their shares in the partnership; thus, the income is

in Poland, including dividend income (as well as the redemption of shares, liquidation proceeds, income / supplementary capital allocated to share capital, etc.), is taxed at a rate of 19%. This tax is withheld and remitted by the company paying the dividends. An exemption from withholding tax on revenue (income) from profit sharing in a corporate entity earned by EU companies (or companies from the European Economic Area, "EEA") applies. In order to benefit from the above exemption, the recipient of the dividend needs to satisfy the following conditions:

- it is subject to unlimited tax liability in an EU or EEA Member State (i.e. it is subject to corporate income tax on its world-wide income in an EU or EEA Member State);
- it holds directly at least 10% (15% until the end of 2008) of the shares of a Polish company paying dividends for an uninterrupted period of at least two years;
- the Polish company paying dividends receives a certificate of tax residence from the recipient of the dividend.

The calendar year is generally the tax year. Taxpayers may, however, select a different tax year covering 12 consecutive calendar months.

effectively taxed at the level of each partner. Fixed assets and intangibles are subject to depreciation/amortization write-offs. Where their value is not more than PLN 3,500, they can be recognised as tax deductible in total in the month in which they are brought into use. Certain assets, such as land and works of art, cannot be depreciated.

A tax relief for the purchase of new technologies enables the expenditures of enterprises on new technologies to reduce their tax base by 50%. The taxpayer may still depreciate the value of technologies purchased in full. Additionally, the minimum period for the depreciation of costs of completed R&D work has been reduced to 12 months.

2.2.3.2. Taxation of dividends

Dividends obtained by Foreign Companies

Revenue (income) from distribution of profits of a corporate entity with its registered office

In addition, if the requirement to hold shares in a Polish company for two years is not satisfied at the time of the distribution of the dividend, the exemption is still available to the recipient of the dividend. However, if the shares are alienated before the two-year period elapses, the exemption expires and the company receiving the dividends is required to pay the dividend withholding tax according to the relevant Double Taxation Treaty (if applicable), together with penalty interest. These regulations only apply to companies incorporated in EU or EEA Member States and since 1st July 2005 they also apply to companies registered in the Swiss Confederation (the list of eligible companies is provided in an appendix to the Corporate Income Tax Act).

The withholding tax rate on dividends payable to foreign companies may be

reduced under the applicable Double Taxation Treaties. In order to benefit from the reduced Treaty rates, the foreign recipient of the income should provide a certificate of tax residency issued by the tax authorities in his home country to the Polish remitter of the dividend.

Dividends obtained by Polish Companies

Dividends received by Polish tax residents from Polish and foreign companies are aggregated with other taxable revenues and subject to CIT at a rate of 19%. However, withholding tax payable abroad may be credited against CIT liability in Poland (although the credit may not exceed the CIT attributable to dividend-type income).

Withholding tax paid with respect to dividends obtained from Polish companies cannot be credited.

According to the Polish CIT Law, an exemption is provided from the withholding tax on dividends received by Polish taxpayers from an entity that is domiciled in an EU or EEA Member State including Poland. The application of the so-called participation exemption is possible if:

- the Polish company holds directly a minimum 10% (15% until the end of 2008) of the shares in a company paying a dividend (if the payer is a Swiss company the threshold is 25%), and
- the Polish company holds the shares for an uninterrupted period of at least two years (this requirement does not have to be met at the moment of receiving the dividends).

As of 1st January 2007, where a dividend or profits subject to distribution are paid to a company that is tax resident in Poland, the tax paid on profits subject to distribution may be credited against the CIT liability of the Polish company (so-called underlying tax credit). This is the case only if the dividend is

paid by an entity that is a resident of a non-EU state (and not an EEA member or Switzerland) with which Poland has concluded a Double Tax Treaty.

Underlying tax may be credited against CIT liability provided that: (i) the Polish company holds directly at least 75% of the shares in the share capital of the dividend payer, and (ii) the Polish company holds the shares for at least two years (this requirement does not have to be met at the moment of paying the dividends). The aggregate value of deduction may not exceed the amount of tax calculated before the deduction and which proportionally corresponds to the income obtained by the Polish company from the foreign entity. Furthermore, tax credit cannot be carried forward.

2.2.3.3. Taxation of interest, royalties and intangible services

The general rule is that interest is recognised for CIT purposes on a cash basis (both as a revenue and as a deductible expense), i.e. interest constitutes a tax-deductible expense to the debtor and taxable income to a creditor when it is paid or settled in any other way.

Interest and royalties paid to an entity without tax residence in Poland is subject to a withholding tax at a rate of 20%, unless a relevant Double Taxation Treaty provides for a reduced tax rate.

Similarly, the 20% withholding tax applies to certain intangible services (such as consulting, accounting, market research, legal services, advertising, management and control, data processing, human resources, guarantees and other services of a similar nature), unless a relevant Double Taxation Treaty provides otherwise. In general, payments for intangible services are classified under Double Taxation Treaties as business profits that are

not subject to withholding tax in the source country.

Based on the EU Interest and Royalties Directive, withholding tax rates that apply to interest and royalties will be subject to a gradual reduction according to the following timetable:

- from 1st July 2005 until 30th June 2009 - the applicable rate is 10%;
- from 1st July 2009 until 30th June 2013 - the applicable rate is 5%;
- as of 1st July 2013 - the exemption applies.

In principle, in order to benefit from the above reduction in tax rates, the following conditions should be met:

- the interest payments are made by a taxpayer having its registered office or place of management in Poland or (under certain conditions) by a permanent Polish establishment of a company being a taxpayer in another EU Member State on its world-wide income;
- the interest payments are made to a company that is a taxpayer in another EU Member State on its world-wide income, or (under certain conditions) such a company's permanent establishment located in another EU Member State;
- the final recipient of the interest payments is a company that is a taxpayer in another EU Member State on its world-wide income;
- there is at least a 25% direct shareholding relationship between the recipient and the payer and the shares are held or will be held uninterruptedly for a period of at least two years;
- this benefit is also available when the recipient of the interest (royalties) is a sister company of the Polish company paying the interest (royalties), provided that the parent company directly holds at least 25% of the shares in both sister companies uninterruptedly for at least two years.

If the requirement to hold the shares for two years is not satisfied at the time of paying the interest (royalties), the benefit can still be gained from the exemption. However, if the shares are disposed of before the two-year period elapses, the exemption expires and the recipient company is required to pay the withholding tax according to a relevant Double Taxation Treaty (if applicable), and it is also obliged to pay penalty interest.

The above regulations only apply to companies incorporated in EU Member States, whereas, since 1st July 2005, they have also applied to the companies from the Swiss Confederation. The list of eligible companies is provided in an appendix to the Corporate Income Tax Act.

The entity paying interest or royalties withholds and remits the tax. A certificate of residency is needed in order to apply a reduced tax rate, or to refrain from withholding the tax in accordance with a Double Taxation Treaty, or to apply benefits resulting from the implementation of the Interest and Royalties Directive.

2.2.3.4. Carrying losses forward

The CIT regulations allow taxpayers to carry losses forward to future years. It is not possible to carry losses back and offset them against income from prior years. Losses may be offset against the income generated in the following five tax years. The maximum amount of a given year's loss offset in any single tax year may not exceed 50% of this annual loss.

The right to carry losses forward is always linked to the entity that incurred the losses, rather than to the entity's specific assets. This means that the tax losses are not transferable with assets or the business (e.g. if the whole of a given taxpayer's operations are transferred to another entity). Furthermore, in the

case of mergers only the tax losses of the surviving companies may be still utilized, whereas the tax losses of the acquired companies are forfeited. If the merger results in the establishment of a new company, the tax losses of the merging companies cannot be utilized.

2.2.3.5. Group company regulations

The CIT Act allows for the creation of a “fiscal unity”/tax consolidated group, under which companies in a group are treated as a single taxpayer of CIT.

The basic requirements for obtaining the status of a tax consolidated group are the following:

- the group may be established only by limited liability companies or joint-stock companies with registered offices in Poland;
- the average share capital of each member company should amount to at least PLN 1,000,000;
- the holding company should hold at least 95% of the shares in the remaining group companies;
- subsidiary companies may be shareholders neither in the holding company, nor other subsidiary companies in the group;
- none of the members of the group can have tax arrears (this condition is deemed to be satisfied if a member of the group pays the tax arrears together with penalty interest within 14 days of correction of the tax return / receipt of the tax decision);
- the holding company and the subsidiaries have agreed to establish the capital group for at least three years by means of a notarial deed; the agreement must also be filed with the Tax Office which issues an administrative decision and registers the capital group if all the conditions are met.

After the creation of the tax consolidated group, the companies forming this group should additionally satisfy the following requirements:

- none of the companies included in the group can benefit from CIT exemptions indicated in other Acts;
- the annual level of the group’s profitability cannot be less than 3%;
- companies from the group cannot maintain relationships with companies from outside the group resulting in a breach of transfer pricing restrictions.

The tax consolidated group formed and registered with the relevant tax authorities is treated as a one entity for CIT purposes, which results in particular in the following advantages:

- the losses of some of the members of the tax consolidated group can be offset against the taxable income of its other members;
- the regulations on transfer pricing do not apply to transactions between companies within the group;
- donations between companies within the group are deemed to be a tax-deductible expense for the donor;
- the simplification of tax formalities, as only one company in the group prepares a tax return.

2.2.3.6. Thin capitalization

The Polish CIT Act contains provisions on thin capitalization, restricting the debt / equity ratio to 3:1. Interest paid on loans in excess of this ratio is not tax deductible. These regulations apply when loans are granted to a company by:

- a shareholder owning at least 25% of the voting shares;
- shareholders jointly owning at least 25% of the voting shares;
- another company, if the same shareholder owns at least 25% of the voting shares in each of the companies.

The term “loans” includes also debt securities, deposits and irregular deposits. The thin

capitalization restrictions apply both to resident and non-resident creditors.

2.2.3.7. *Transfer pricing (documenting transactions with related parties)*

In principle, Polish transfer pricing rules are based on the OECD Transfer Pricing Guidelines. The rules are based on the concept of the "arm's length" level of transfer prices. If related parties (e.g. those with a common shareholder) conclude transactions on terms that differ from market practice and, in consequence, the Polish entity discloses a taxable income lower than it would have disclosed otherwise, the taxable income of the entity will be adjusted in accordance with the arm's length concept.

Moreover, if intangibles or services are the subject of such a transaction and the benefits rationally expected from the transaction are obviously lower than the expenses incurred, then such expenses are not deductible for tax purposes.

The rules also apply to "dealings" of PEs.

Tax information

Taxpayers conducting transactions with foreign related parties are subject to certain notification requirements. These rules are additional to the transfer pricing rules and apply to all transactions between Polish companies, as well as Polish and foreign legal persons.

The requirements are as follows:

- where a taxpayer and a related foreign party engage in transactions exceeding EUR 300,000 in a given tax year, the tax authorities must be informed within three months of the year end;
- where the foreign entity has also a representative office or a permanent establishment in Poland, the tax authorities must be informed of transactions with a value exceeding EUR 5,000.

Documenting transactions with related parties

Transfer pricing documentation requirements relate to transactions with related parties and with companies having their registered offices in tax havens. The rules also apply to "dealings" of PEs.

According to this law, the duty arises to prepare documentation for a transaction (or transactions) concluded between related parties, where the total amount arising from the contract or the amount due (and actually paid) in the tax year exceeds:

1. EUR 100,000 - if the value of the transaction does not exceed 20% of the share capital defined in accordance with the regulations on thin capitalization; or
2. EUR 30,000 - with respect to services, sales or use of intangibles; or
3. EUR 50,000 - in all other cases.

The duty to prepare documentation also relates to transactions concluded with companies having their registered offices in tax havens, if the total amount arising from the contract or the amount due (and actually paid) in the tax year exceeds EUR 20,000.

Taxpayers must present the documentation within seven days of the request of the tax authorities. If the authorities establish that the taxpayer's profit is higher (or the loss is lower) than the amount declared by the taxpayer and the taxpayer does not provide the authorities with the required documentation, the difference between the profit declared by the taxpayer and the profit defined by the authorities may be subject to taxation at a rate of 50%.

Advance pricing agreements (APA)

APA procedure allows taxpayers to verify the correctness of the pricing methodology applied in domestic / foreign-related party transactions and ascertain the up-front acceptance of the transfer pricing methodology by the tax administration. The rules also apply to "dealings" of PEs.

Polish law defines three kinds of APAs:

- unilateral;
- bilateral;
- multilateral agreements.

Taxpayers requesting APAs in Poland are required to justify the selected transfer pricing method, prepare a description and explain the application of the selected method, indicate the circumstances that could influence the correctness of the pricing methodology, prepare the documentation used as a basis for setting the level of the transactional prices, including e.g. agreements and other documents that indicate the intentions of both parties and propose the tax years to be covered by the APA.

Before the submission of the application for the advance pricing agreement, the domestic entity interested in concluding an APA may request the Ministry of Finance to clarify doubts regarding the individual case, in particular, the usefulness of entering into the APA, the scope of the necessary information to be submitted, as well as the procedure and probable date of conclusion of such an agreement for a particular transaction. The application should be submitted by the Polish entity. In the event of any doubts regarding the transaction pricing method chosen by the taxpayer or doubts regarding the content of the documents attached to the application, the Ministry of Finance may request an explanation of such doubts or additional documents.

There is an application fee which should be paid within seven days of the date of the submission of the application. The application fee is 1% of the transaction value, within the limits of PLN 5,000 - PLN 200,000 (EUR 1,400 - EUR 55,000), depending on the type of agreement.

The result of the proceedings is a decision with a validity of no longer than five years. The validity of the decision can be extended

at the taxpayer's request. The extended period of the decision's validity cannot exceed a further five years.

The proceedings should be finalised as follows: unilateral agreement - no later than six months from its initiation, bilateral agreement - no later than one year from its initiation, and in the case of a multilateral agreement - no later than 18 months from its initiation.

2.2.3.8. Branches of foreign companies

Foreign companies basically have the right to establish branches in Poland. The range of activities of these branches is limited to the scope of activities of the foreign headquarters. The establishment of a branch requires registration in the National Court Register. Such branches are subject to similar tax rules as those imposed on limited liability and joint-stock companies.

Foreign companies may also operate in Poland in the form of representative offices. The range of activities of representative offices is limited to representation and advertising.

2.2.4. VAT rates and regulations

VAT regulations were subject to significant changes in 2004 because of Poland's accession to the EU. Polish regulations are currently based on EU directives. In brief, after 1st May 2004, the scope of VAT taxation has been vastly extended. Exports and imports to and from EU Member States were replaced with intra-community supply and acquisition, and the rules for VAT recovery were changed. The new VAT law introduced new rules in place of taxable supplies of goods and services. The general principles of the new system are presented below.

Value added tax on goods and services (VAT) is a broad-based tax levied on the supply of

goods and services in Poland. A Polish entity is required to register for VAT once its annual turnover on transactions subject to VAT exceeds PLN 50,000 (c.a. EUR 14,000). Foreign entrepreneurs must register for VAT in Poland before they start any VAT-able activity in Poland (except for limited, clearly specified cases). VAT is imposed on every supply of goods and services at the base or reduced VAT rate, unless the transaction is exempt from Polish VAT.

The standard rate of VAT is 22% and is charged on most goods and services.

A reduced VAT rate of 7% is imposed on the enumerated sale of products or supply of services, e.g.:

- certain foodstuffs;
- medicines and goods used in health care;
- certain children's goods;

- repair of clothing and textile articles used in households;
- repair of bicycles;
- services performed by hairdressers and barbers.

A reduced 0% VAT rate is levied on the intra-community supply of goods, exports of goods, as well as some international transport services and the services related to international transport.

A reduced 0% VAT rate may be applied to the sale of certain books and magazines and some domestic supplies, e.g. equipment for selected ships and airplanes.

Some financial and insurance services, cultural services, research and development services, etc., are exempt from VAT, which accordingly prevents the taxpayer from recovering input VAT incurred in relation to such services.

The tax due is calculated as the surplus of output VAT charged on sales over recoverable input VAT stated on purchase invoices and other specified documents.

Transactions between VAT taxpayers must be documented with a VAT invoice. Sales to individuals who do not conduct business activities must be registered by a fiscal cash register if the turnover with individuals exceeds a specific threshold. This threshold generally amounts to PLN 40,000 (c.a. EUR 11,000), but sales of several kinds of goods need to be registered in a fiscal cash register regardless of the value of sales during the year.

Registered VAT taxpayers are required to submit monthly VAT returns (or quarterly VAT returns in the case of those having the status of "small taxpayers") to the appropriate Tax Office and keep registers of purchases and sales subject to VAT. In addition to monthly VAT returns, EC Sales and Purchase Lists and

- hotel and catering services;
- construction and repair services related to housing;
- some transport services;
- municipal services (e.g. water supply, sewage treatment, street maintenance, etc.);
- fertilizers;
- repair of shoes and other leather articles;



Intrastat declarations must be submitted by the taxpayer with respect to its intra-EU transactions.

Generally, VAT due must be paid by the 25th day of the month following the month (quarter) in which the VAT obligation arises.

Although Polish VAT law is generally compliant with the VAT Directive of the EU (2006/112/EC), it contains various country-specific provisions and requirements, which are not common in other local VAT regimes.

These are usually very troublesome for foreign entrepreneurs. In consequence, VAT and Intrastat compliance is often a challenge and is being outsourced to firms experienced in Polish VAT settlements. Deloitte offers such assistance.

Based on certain rules defined in a decree of the Ministry of Finance, foreign business entities not registered for VAT in Poland may apply for a refund of input VAT incurred on purchases in Poland on a reciprocal basis.

2.2.5. Excise duty

Based on the Excise Duty Act, goods on which excise duty is imposed can be divided into two groups:

Harmonised excise duty goods, i.e.:

- engine fuel and its components;
- alcohol and beverages;
- tobacco products.

Non-harmonised excise duty goods, i.e.:

- cars;
- perfumes and cosmetics;
- electricity.

Excise duty is levied on the:

- production of harmonised excise goods;
- movement of harmonised excise goods from a bonded warehouse;
- sale of excise goods in Poland;
- exports and imports of excise goods;

- intra-community supply and intra-community acquisition.

Harmonised excise duty goods are subject to excise duty that is covered by special rules which are stipulated in Polish legislation on the basis of EU Directives. In particular, they may only be stored in bonded warehouses and excise duty is due when they are moved out of the bonded warehouse (unless they are moved under the excise duty suspension procedure).

Excise duty is calculated either as a percentage of the value of goods produced (or the customs value of the commodities) or on a volume basis (fixed rate per unit).

The Minister of Finance may amend the excise rates within given limits during the year. The law also provides for certain exemptions that may be made in relation to certain goods, based, for instance, on their use or in the event of exporting excise goods.

2.2.6. Tax on income derived from capital (natural persons)

As a rule, capital gains derived in Poland are subject to a 19% tax. The same rules apply to capital gains realised outside Poland.

There is no requirement to pay tax advances on capital gains derived from the sale of shares. With some exceptions, income derived from the sale of shares is subject to a 19% tax at the time that the individual files a separate annual tax return disclosing the capital gains realised during the given tax year.

As a rule, dividends, interest, as well as other types of capital gains are subject to a 19% flat rate tax.

2.2.7. Personal income tax (PIT)

Under the Polish PIT Law, individuals may be subject to either limited or unlimited tax liability in Poland. According to the provisions of the PIT Law, tax residency status of a given individual depends solely on whether he has his place of permanent residence in Poland. The term "place of residence" is defined in section 1a of Art. 3 of the PIT Law. Further to the statute, a person having his place of residence in Poland is a person who: has his centre of economic or personal interest (centre of vital interest) located in Poland or stays in Poland longer than 183 days during a tax year. These provisions should be understood in the following way: if an individual's stay in Poland exceeds 183 days, under Polish legislation, such individual would be considered a Polish tax resident. Should that be the case, as a result, he would be subject to taxation in Poland on his worldwide income. On the other hand, individuals whose stay in Poland does not exceed 183 days in a given year should not be considered as Polish tax residents, unless it would be proved that they have their centre of vital interests in Poland.

The status of a Polish tax resident implies that the total world-wide income received by a given individual is subject to taxation in Poland, unless Double Tax Treaties state otherwise. An individual enjoying Polish tax non-resident status is, on the other hand, taxable in Poland only on his Polish source income.

The tax year for individuals is the calendar year.

In general, cash and benefits put at an individual's disposal constitute his taxable income, unless a particular income is tax-exempt in Poland according to Polish domestic law and/or the appropriate Double Taxation Treaty.

Examples of income exempt from taxation in Poland include:

- amounts due to the individual while on a business trip (per diems, travel and accommodation expenses), up to the limits defined in the provisions of other Polish laws;
- amounts paid by an employer for education and raising the professional qualifications of his employees (e.g. the value of courses and training financed by the employer).

Possible deductions from income include:

- contributions paid to the Polish social security system;
- donations made to organisations conducting activities in the field of public welfare, as well as donations made for religious purposes (except for donations to natural persons), up to a level of 6% of the individual's income;
- donations to church charities (applicable only to church legal entities) - no deduction limit is provided (but some additional conditions must be met to take advantage of this deduction);

Personal income tax rates for 2008

(Currency translations based on the rate of USD 1 = approx. PLN 2.315)

Taxable Income	Personal Income Tax
Up to PLN 44 490 (USD 19,218)	19% minus PLN 586.85 (19% minus USD 253)
PLN 44,490 - PLN 85,528 (USD 19,218 - USD 36,945)	PLN 7,866.25 + 30% of taxable income over PLN 44,490 (USD 3,398 + 30% of taxable income over USD 19,218)
Above PLN 85,528 (USD 36,945)	PLN 20,177.65 + 40% of taxable income over PLN 85,528 (USD 8,716 + 40% of taxable income over USD 36,945)

- expenses incurred by an individual for using the Internet in the place where the individual lives, up to the value of PLN 760 per year;
- expenses incurred for rehabilitation purposes (some additional conditions must be met to take advantage of this deduction).

Possible tax deductions:

- 7.75% of the basis for calculating health-care contributions paid by an individual in a given calendar year for his national health-care insurance in Poland;
- child deduction - available for parents bringing up children (if certain conditions are met) - up to PLN 1,173.70 per child (in 2008).

An individual may decide to donate 1% of his annual tax liability to a chosen welfare organisation by indicating this decision in his annual tax return. Such a donation is made by the tax office.

The personal income tax rates for 2008 are as follows:

As a rule, the PIT rates indicated in the table above are applicable to an individual's total income. Notwithstanding the above, the Polish PIT Law provides for linear or lump sum taxation on certain sources of income (instead of progressive taxation).

The following items are subject to a linear tax rate:

- capital gains (see section 2.2.6 above) - 19%;
- income from the sale of real estate (provided that it is non business-related): if the sale of the real estate takes place after five full calendar years from the date of purchase, no tax is levied, otherwise - for real estate purchased in 2007 and later - 19% on the difference between the price received and the cost incurred (additional exemption possible), for real estate purchased before 2007 - 10% on the entire price received (additional exemption possible);

- Polish source income derived by non-residents from independent artistic, literary, scientific, educational and journalistic activities, copyrights and inventions, as well as from personal service contracts, specific task contracts, managerial contracts, or similar contracts and from board member fees - 20%;
- income derived from conducting business activities in Poland - progressive taxation unless the entrepreneur declares otherwise and chooses 19% linear taxation of his business activity income.

Apart from the above, according to the provisions of the Act on Lump-Sum Taxation of certain revenues earned by private individuals, the taxpayer may enjoy flat rate taxation (lump-sum taxation) on certain sources of income, if he chooses to apply this taxation system instead of applying the progressive taxation governed by the provisions of PIT Law.

Lump-sum taxation is applicable to such income as:

- revenues derived from renting real estate - 8.5% up to a level of revenues of EUR 4,000 and - 20% thereafter;
- revenues derived from the performance of certain types of business activity;
- revenues derived from performing independent services of certain types.

Tax is generally due on a monthly basis.

Polish employers are obliged to calculate, withhold and pay the tax advances due on the remuneration of their employees to the Tax Office with jurisdiction over the employer's registered office.

Individuals who receive income from abroad or perform independent services, are personally responsible for disclosing the income on a monthly basis and for the payments of monthly tax advances.

As a rule, every taxpayer is obliged to file an annual tax return disclosing his aggregate annual income at the end of the tax year. The deadline for filing the tax return and paying the annual tax liability is 30th April of the year following the tax year for which the return is filed. No extensions are possible.

Taxpayers may file the annual tax return jointly with their spouses, if the following conditions are met simultaneously:

- the spouses remain married throughout the entire tax year in question;
- both spouses are subject to “unlimited tax liability” (tax resident status) in Poland for the tax year in question;
- there is marital co-ownership between the spouses;
- neither of the spouses receives income subject to the provisions of the Act of 20th November 1998 on lump-sum income tax on certain revenues earned by private individuals (except for rental income) or chooses 19% linear tax rate on business activity income.

A taxpayer may also file a joint marital annual tax return in the event of the death of one spouse if this occurred during the tax year or at its end, but before the annual tax return is filed.

2.2.8. Double Taxation Treaties

The personal income tax and corporate income tax regulations provide that the credit method of avoidance of double taxation is used, unless a specific Double Taxation Treaty states otherwise. Poland has signed Double Taxation Treaties with over 70 countries. Most of the treaties signed by Poland are based on the 1977 OECD Model Convention, although some exceptions in several cases appear.

2.2.9. Local taxes and charges

Local taxes include:

- real estate tax;
- road vehicle tax (generally imposed on trucks and buses);
- agricultural tax;
- forestry tax;
- inheritance and donations tax.

Local communities are entitled to establish rates and/or exemptions for the above taxes within the limits set by Parliament (except for the inheritance and donations tax the rates for which are set by Parliament).

2.2.10. Stamp duty

Stamp duty is payable on certain filings and administrative acts, including:

- official applications;
- official deeds;
- certificates;
- permits;
- other documents, e.g. submitting a power-of-attorney before authorities and courts.

2.2.11. Transfer tax

The following acts are subject to transfer tax:

- sales agreements and agreements on the exchange of goods and property rights;
- loan agreements;
- donation agreements - to the extent regarding the acquisition of debts and encumbrances by the recipient or the donor's liabilities;
- annuity agreements;
- agreements on the division of inheritance and agreements on the dissolution of co-ownership in the part concerning repayments or contributions;
- establishment of mortgages;
- establishment of usufruct for consideration, including improper usufruct and servitude, for consideration;
- irregular deposit agreements;
- company deeds (Articles of Association).

Furthermore, subject to the transfer tax are:

- amendments to the transactions listed above if they result in an increase in the base for transfer tax; and
- court rulings, including conciliatory courts, and settlements, if they produce the same legal effects as the transactions listed above.

Amendments to company deeds include: an increase of the share capital, a loan granted to the company by its shareholder(s) and additional capital payments.

The transfer tax rates are as follows:

- on sale agreements:
 - a) real estate, property rights related to real estate and tangible assets - 2%;
 - b) other property rights - 1% of the fair market value of the object of the transaction;

subject to a 20% penalty transfer tax rate (this is mainly the case, if the tax has not been paid within the statutory time limits).

In principle, the tax liability arises at the time when the transaction takes place. Payment should be made within 14 days, together with submission of the PCC-1 declaration form (transfer tax return). In case of transactions effected in the form of notarial deeds the tax is collected by the notary.

2.2.12. Most important changes announced by government regarding the above

Personal Income Tax

Significant amendments will be introduced to the Polish PIT Law as of 1st January 2009. The major changes shall apply to Personal Income Tax rates. Instead of three existing tax rates,

Major changes in Personal Income Tax rates from 2009

Taxable Income	Personal Income Tax
Up to PLN 85, 528 (USD 36,945)	18% minus PLN 556.02 (18% minus USD 240)
Above PLN 85,528 (USD 36,945)	PLN 14,839.02 + 32% of taxable income over PLN 85,528 (USD 6,410 + 32% of taxable income over USD 36,945)

- on exchange agreements:
 - a) real estate, property rights related to real estate and tangible assets - 2%;
 - b) other property rights - 1% of the fair market value of the object of the transaction which is liable to higher tax;
- on loan agreements - 2% of the principal amount of the loan;
- on the establishment of mortgages:
 - a) to secure an existing liability - 0.1% of the amount of the secured liability;
 - b) to secure a liability of an unfixed amount - PLN 19.
- on company deeds: 0.5%.

Loan agreements, irregular deposits and establishment of irregular usufruct may be

two decreased rates of 18% and 32% rates shall be introduced (as per the below table).

VAT

Lastly, the Ministry of Finance has proposed amendments to the Polish VAT Act. The main considered changes include:

- implementation of consignment stock relief for certain taxpayers;
- cancellation of a guarantee deposit of PLN 250k;
- annulling the 30% VAT sanction;
- defining perpetual usufruct as the supply of goods;
- extension of VAT exemption on the supply of buildings and the option to tax such supplies;

- import VAT relief - i.e. reporting output VAT in VAT returns instead of payment to the customs authority;
- more flexible rules regarding input VAT deduction;
- changes from monthly to quarterly VAT reporting.

Please note that during the legislation process the above amendments may change or even may not be implemented. At this stage it is envisaged that the amendment will come into force as of 1 July 2008.

2.3. Insurance regulations

The following insurance is obligatory under Polish law:

- third party liability insurance ("OC") for motor vehicle owners;
- insurance against fire and other natural disasters for commercially used buildings on farms;
- third party liability insurance for farmers;
- other types of insurance, as specified in prevailing laws, or based on international agreements ratified by the Republic of Poland.

Institutions, such as the Financial Supervisory Commission, the Insurance Guarantee Fund, the Insurance Ombudsman and the Polish Insurance Chamber, were established to protect the interests of policy holders by monitoring the funding and financial standing of insurance funds.

The insurance market is monitored by the Financial Supervisory Commission. The Commission's main objectives include the protection of interests of insuring, insured, beneficiaries and persons entitled to rights resulting from an insurance contract. It is also tasked with the prevention of situations where insurance companies become unable to pay compensation or benefits. The Commission grants insurance business permits and monitors the activities of insurance companies. A single company cannot offer both life assurance and other types of insurance.

An insurance business in Poland can be operated by a joint-stock company, a mutual insurance society or a branch of a foreign insurance company (based on the reciprocity rule). An insurance company that has a registered office in an EU Member State may conduct insurance activities in Poland if it holds an appropriate permit issued by the relevant authority of its home state.

The minimum amount of a guarantee fund for a life assurance company operating as a joint-stock company is EUR 3,000,000, while for a mutual insurance society it is EUR 2,400,000. The minimum guarantee fund for a non-life insurance company operating as a joint-stock company is EUR 2,200,000 or EUR 3,200,000, depending on the type of insurance offered. The levels for a mutual insurance society are set at EUR 1,650,000 and EUR 3,200,000, according to the type of insurance. Under particular conditions the minimum fund for a mutual insurance society considered as small may be zero.

2.4. Polish trade regulations

One of the most important implications of Poland's accession to the European Union is membership of the Customs Union encompassing all 27 Member States. For customs purposes, the whole territory of the European Community is recognised as a single customs zone, which implies that as of 1st May 2004, no customs duties are imposed in trade between Poland and other EU Member States (free movement of goods).

Another consequence of accession was the unification of customs regulations between Poland and other EU Member States. Consequently, the Polish Customs Code and most of the national customs regulations (including the Polish Customs Tariff), have been replaced by Community law, in particular by the Community Customs Code and Common Customs Tariff, which currently apply to trade between Poland and third party (non-EU) countries.

2.4.1. Import / export licensing requirements

All business entities operating in Poland (including foreign companies) have equal access to international trade. However, this access is subject to trade policy measures introduced by the EU, which Poland is now required to observe. Licensing is a form of trade restriction imposed by the European Union with regard to certain goods and countries. Importing into Poland is currently subject to the same licensing requirements as importing into all other EU Member States. The licensing system is operated by the European Commission in cooperation with the authorities of the Member States. Trading in certain goods (or in certain specific cases) may be restricted by the European Union by value or volume through the introduction of quantitative import or export quotas. The import of goods covered by an import quota is prohibited outside the quota system. Quotas are allocated among the com-



panies applying for a license. Licenses are valid in all Member States, except for situations where the quota is limited to one or more regions of the EU. When the quota is entirely exhausted, imports (exports) are not possible until a new quota is established.

Moreover, there are certain restrictions not related to commercial policies covering licensing requirements for trading in "dual-use" (i.e. both civil and military use) goods and technologies, certain chemicals, in particular narcotic drugs and psychotropic drugs or cultural goods.

Separate arrangements are applied to the import and export of certain agricultural products under the Common Agricultural Policy (CAP), including import/export licensing, quantitative restrictions, export refunds or preferential tariff arrangements. Licenses and permits for trading in goods that require such licenses or permits are issued by the Minister of the Economy or by the Agricultural Market Agency, which cooperate with the European Commission.

2.4.2. Customs tariffs and tariff quotas

As mentioned above, the Common Customs Tariff is applied in trade between Poland and non-EU countries.

The basic rates included in the Tariff, i.e. the "conventional duty rates", apply generally to the import of goods originating in WTO countries, or countries benefiting from the "most favoured nation" status granted by the EU (e.g. Russia). If autonomous customs duty rates established by the EU are lower than conventional rates, autonomous rates are applied.

Preferential rates are applied to countries benefiting from tariff preferences established either unilaterally by the EU, e.g. within the framework of the Generalised System of Preferences (mainly developing countries), or on the basis of bilateral agreements concluded by the EU with certain countries, e.g. the agreement establishing the European Economic Area (EU, Norway, Iceland and Liechtenstein).

The European Union may also establish tariff quotas, tariff ceilings and tariff suspensions. Tariff suspensions and quotas permit the total or partial waiver of normal duties that are applicable to imported goods for an unlimited quantity (suspension) or a limited quantity (quota), normally for an unlimited validity period. These are exceptions to the general rule represented by the Common Customs Tariff. Imports outside the tariff quota are possible, but at the regular (higher) duty rate defined in the Common Customs Tariff. Most tariff quotas are managed on a "first-come, first-served" basis, irrespective of where the goods are imported into the EU. Other tariff quotas are managed through a system of import licenses.

The European Union may also introduce additional customs duties in the case of dumped

or subsidised imports of certain goods from certain countries. Anti-dumping, anti-subsidy and other safeguard measures are applied after the conclusion of formal procedures by the European Commission.

2.4.3. Customs procedures

The following customs procedures regulated by the Community Customs Code can be operated in Poland:

- release for free circulation;
- transit;
- inward processing;
- outward processing;
- temporary importation;
- processing under customs control;
- bonded warehousing;
- exportation.

The procedures mentioned in points 3-7 are called "customs procedures with economic impact". Authorisation issued by the customs authorities is required in order to be able to take advantage of these procedures. An importer does not need to pay customs duty and VAT, but all duties must be secured, e.g. in the form of a bank guarantee presented to the Customs Office.

The procedure for release into free circulation is granted when all conditions of the Customs Law are satisfied, in particular the provisions regarding the payment of customs duties and the award of the customs status of "Community goods" to foreign goods.

The transit procedure allows for the transportation of non-Community goods (i.e. not released for free circulation on the territory of the EU) from one point to another within the EU. This is called "external" transit. Collateral, which is equivalent to the amount of customs duties which would be due (as well as, possibly, other charges), is required on transit shipments. In some cases, it is possible to waive this obligation.

The modification of this scheme is an internal transit procedure, which allows for the transport of Community goods (i.e. released for free circulation) from one point to another within the EU through the territory of a non-EU country without losing their Community status. The advantage of internal transit is that no customs duties or trade policy measures are applied with respect to the goods that are re-imported into the EU under this procedure.

Bonded warehousing allows companies to store the following goods in public or private customs (bonded) warehouses:

- non-Community goods that are not subject to any customs duties or any special restrictions or prohibitions resulting from Community regulations at the time;
- Community goods that would attract the application of measures that would normally be applicable on their exportation at the time they are placed in a bonded warehouse, e.g. export refunds granted within the framework of the Common Agricultural Policy;
- there is usually no time limit on warehousing, although, in some cases, the Customs Office may restrict the time or revoke the permit to stock the goods.

The inward processing procedure allows for the performance of one or more value-adding processes on the territory of the EU with respect to:

- non-Community goods intended for re-export from the Community customs zone in the form of compensating products, without such goods being subject to import duties or commercial policy measures;
- goods released for free circulation with repayment or remission of import duties chargeable on such goods, if they are exported from the Community customs zone in the form of compensating products.

Inward processing may consist of:

- processing of goods, including assembly, or installation in other goods;
- renovation of goods, including restoration and segregation;

The Common Customs Tariff is applied in trade between Poland and non-EU countries.

- utilisation of some goods that are not part of the compensating products, but enable or facilitate their production (if those goods are fully or partially used in the process), excluding tools, equipment and fittings.

Processing under customs control allows for the use of non-domestic products on the territory of the EU in processes that alter their form or substance (without applying customs duties or trade policy measures) as well as for the release of processed products for free circulation, by applying the appropriate customs charges. In most cases, this procedure is applied if the rate of duty levied on processed goods is lower than the rate levied on imported materials.

An authorisation for processing under customs control may be issued for Community entities when the following conditions are satisfied:

- it is possible to confirm that the incoming goods will form part of the final processed goods;
- the incoming goods, after being used for processing, cannot be returned to their previous state without incurring substantial costs;
- the application of this procedure will not constitute a circumvention of the regula-

tions on the origin of the goods, or the quantitative restrictions that apply to the end products being released for free circulation.

The procedure of temporary importation allows for the complete or partial exemption from customs duty of non-Community goods to be used in the EU, provided that no changes are made to the goods, with the exception of regular wear arising from the use of those goods.

The Customs Office sets a date (normally up to two years) after which the goods must either leave the EU or receive a new customs status. This period may be extended.

The ATA carnet can be used for temporary importation/exportation of some goods, i.e. promotional goods, goods destined for exhibitions, etc.

Outward processing allows for the partial, or complete exemption from customs duty of goods which are temporarily exported from the EU for processing to increase their value and are then re-imported into the EU.

Such an authorisation would only be issued to the EU entity if it can be proved that the goods exported from the EU constitute a part of the final products subsequently imported into the EU.

The procedure of outward processing cannot be applied to goods:

- the export of which would entail the reimbursement or cancellation of customs duties already levied;
- which, before their export, were admitted to free circulation with a total exemption from customs duties because of their end use (this remains in force as long as regulations granting such exemptions remain in force).

The export procedure enables Community goods to leave the EU customs zone. Admission for exportation can be effected after satisfying all the requirements of the Customs Law, including trade policy measures, as well as regulations regarding export customs duties, if applicable.

Every Community product intended to be exported should be subject to this procedure, with the exception of goods that are subject to outward processing.

Goods should be declared for customs procedures using SAD forms. Depending on the customs procedure, the declaration should be filed with the Customs Office located either in the area where the company is registered or where the goods are physically located / processed / loaded, etc.



2.5. Currency and exchange controls

The new Foreign Exchange Law of 27th July 2002 came into effect on 1st October 2002. It has since then been amended several times, most recently in 2007. The last amendment abolished several restrictions on transactions involving foreign exchange.

This Law defines a resident as:

- An individual with his permanent place of residence in Poland.
- A legal entity or another entity that has the right to contract obligations and to acquire rights for itself, while having its place of registration in Poland.
- A branch, representative office or company established in Poland by a non-resident.

A non-resident is:

- An individual with his permanent place of residence abroad.
- A legal entity or another entity that has the right to contract obligations and to acquire rights for itself while having its place of registration abroad.
- Branch offices, representative offices and enterprises located abroad that are established by a resident.

The new Foreign Exchange Law introduces a distinction between non-residents from EU Member States and non-residents from third countries, with the third countries limited not only to countries outside the EU, but also OECD and EEA (European Economic Area) countries. Non-residents from the EU (as well as OECD and EEA) have priority and currency

transactions with them have fewer restrictions than currency transactions with non-residents from third countries.

The Foreign Exchange Law defines the restrictions and obligations connected with transactions in foreign currencies. The avoidance of these restrictions and obligations requires a general permit (issued by the Minister of Finance in the form of a regulation) or an individual foreign exchange permit.

Foreign exchange permits issued by the President of the National Bank of Poland (NBP) are needed:

- for residents to export, transfer or send domestic or foreign currencies to third countries, with the aim of starting up or developing business activities in those countries, including buying real estate, with the exception of activities such as direct services in the execution of signed contracts and activities consisting of promoting and advertising business activities conducted by the resident domestically;
- for residents to open accounts in banks and branches of banks, located in third countries, both directly and through other entities with the exception of their stay in the country or in connection with the business activities mentioned above in point 1;
- to make payments between residents in foreign currencies, excluding payments between private individuals, if they are not connected with business activity;
- for a resident to buy (directly or through other entities):
 - a) stocks and shares in companies established in third countries,
 - b) participation units in funds established in third countries,
 - c) debt papers issued by non residents from third countries,
 - d) liabilities and other rights, sold by residents from third countries, if cash settlements arise from them;

- for a resident to sell in third countries, (directly or through other entities):
 - a) debt papers with a redemption term of less than one year, with the exception of debt papers bought in those countries on the basis of a foreign exchange permit,
 - b) liabilities and other rights, if cash settlements arise from them, with the exception of bought in those countries on the basis of foreign exchange permit.

Special restrictions may be introduced on foreign exchange transactions with foreign countries, if they are necessary to:

- implement the decisions of the authorities of international institutions, of which the Republic of Poland is a member;
- ensure public order and security;
- ensure a balance of payments, in the case of its general imbalance, a sudden slump or a threat of this;
- ensure the stability of the Polish currency in the event of sudden fluctuations of its exchange rate or any threat to this.

As a rule, all operations and payments in Poland are required to be made in Polish currency.

Residents are obliged to provide the National Bank of Poland with the required data specified in a regulation, especially when:

- a) they and non-residents conclude sale or purchase contracts the subject of which are goods, including real estate, or services,
- b) they and a non-resident conclude a contract for credit or a loan,
- c) they possess shares in foreign companies,
- d) 10% of the share capital of a resident - company is held by a non-resident.

2.6. Intellectual and industrial property rights

Polish law protects intellectual property and prevents unfair competition in industry, literature, scientific achievements and artistic works. This protection relates to the works of practicing artists, computer programs, soundtracks, radio and television programs, inventions, industrial designs, trademarks, logos and commercially used names.

The European Union's legislation on industrial property rights is directly applicable in Poland. This legislation most notably includes the regulation on the protection of community trademarks, community designs and geographical signs and designations of origin. Poland is also a member of virtually all international conventions on the protection of industrial property rights, including the Paris and Madrid Conventions.

2.6.1. Copyright

Copyright in Poland is protected on the basis of the Polish Copyright Act of 1994, the Berne Convention on the Protection of Literary and Artistic Works and European Union law. Polish law protects any manifestation of creative activity of an individual nature that is established in any form, irrespective of its value, designation or manner of expression (work).

There are no specific prerequisites for protection, specifically, registration is not required. Copyright protection exists from the time of the creation of a work.

Works in the following areas of intellectual property are protected:

- those expressed in words, mathematical symbols, graphic signs (literary, journalistic, scientific and cartographic as well as computer programs);
- graphic;
- photographic;
- industrial design;
- architectural and urban planning;



- musical and textual, as well as purely musical;
- stage, stage and musical, choreography and pantomime;
- audiovisual (including films).

Also, databases are protected under copyright if they can be considered as works. Apart from protection as a “work”, database protection is governed by the Protection of Databases Act (*sui generis* protection) from 27 July 2007, which implements Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases. The regulation on *sui generis* protection includes databases regarded as a work and other databases that fulfill the special requirements of the act.

A database that is subject to the *sui generis* right is defined as a collection of any data, other materials, or elements:

- arranged in a systematic, or methodical, manner;
- accessible in any manner, including electronic means;
- that requires essential capital contribution for the creation of it, verification, or presentation of the content of it.

Copyrights include both proprietary and moral rights.

The copyright to works belongs to the author or to the assignee(s). The author as the creator of a work acquires commercial and moral rights to the work (copyright). The moral rights to a work cannot be transferred, assigned or licensed, and always remain with the author. Rights to a database belong to the producer defined as being a natural or legal person that has paid the costs for the creation of the database. The producer has an exclusive right to use the data collected in the database. The protection period of a database is 15 years. An author's moral rights include the right to:

- have the work appear under the author's name or pseudonym, or to make anonymous work available to the public;
- insist on compliance with the inviolability of the content and form of the work, and on the proper use of it;
- decide to make the work available to the public for the first time;
- oversee the manner in which the work is used.

The moral rights to a work cannot be either transferred, assigned or licensed, and always remain with the author.

Commercial copyrights can be transferred by purchase (full rights) or by license (the right to use a specific work can be granted).

A contract of copyright must:

- define whether the rights are transferred or a license is granted;
- indicate the area of commercial use.

In general, an author's proprietary rights expire after 70 years:

- from the death of the author;
- for works whose author is not known - from the date of initial dissemination;
- for works for which the author's proprietary rights are, under statutory law, held by a person other than the author - from the date of dissemination of the work and, if the works were not disseminated, from the date of their creation;
- for audio-visual works - from the death of the last of the following persons: the main director, the author of the screenplay, the

scriptwriter or the composer of the soundtrack written for an audio-visual work.

Producers of copies of literary, musical, artistic, photographic or cartographic works where the commercial rights to which have expired must pay to the relevant fund (Fundusz Pomocy Twórczości) a sum ranging from 5% to 8% of gross proceeds from the sale of the said works. This provision applies to editions of works published in Poland.

Producers and importers of tape and video recorders and other similar devices, reprographic devices, as well as blank media used for recording works with the help of such devices for personal use must pay fees to collective management organisations acting to the benefit of authors, artistic performers, producers of phonograms, videograms and publishers, the amount of which is no higher than 3% of the amount due for the sale of such devices and media (including CDs).

Gains from copyright infringement may be confiscated. Polish law stipulates penalties for the violation of copyrights in the form of fines, limitation of freedom or imprisonment of up to five years.

Barring several exceptions, reproduction, transmission and performance in the media or for non-commercial purposes is restricted.

Copyright protection

1. The creator can require the infringer of the creator's commercial rights to:

- cease the infringement;
- eliminate the consequences thereof;
- compensate the incurred loss;
- relinquish the illegally obtained benefits.

2. Apart from the claims mentioned in point 1, the owner of rights can request the infringer:

- to publish a single or multiple announcement in the press;

- to pay an appropriate sum of money into a special fund (Fundusz Pomocy Twórczości) which cannot be less than twice the amount of the probable profits achieved by the infringer.

2.6.2. Patents

The legal protection of industrial property applies for the following periods (provided that fees are paid regularly):

- patents - 20 years;
- utility models - 10 years;
- industrial designs - 25 years;
- trademarks - 10 years;
- geographical indications - without restriction;
- topographies of integrated circuits - 10 years.

A patent grants the exclusive right of use of an invention in Poland to the patent holder and to licensees who are granted a license by the patent holder. This exclusive right may not be abused by applying monopolistic practices.

Marking the product with its patent number is common practice, but is not obligatory.

The Patent Office will grant a patent after examining whether the invention is new, involves an inventive step and is subject to industrial application. An invention is to be considered as:

- new when it does not form part of the state of the art;
- inventive when, with regard to the state of the art, it is not obvious to a person skilled in the art;
- capable of industrial application, if by means of that invention a product can be manufactured, or a process can be used, in a technical sense, in any type of industry including in agriculture.

Patents are not granted for:

- discoveries, scientific theories and mathematical methods;
- aesthetic creations;
- schemes, rules and methods for performing mental acts, doing business or playing games;
- creations, whose incapability of exploitation may be proved under the generally accepted and recognised principles of science;
- software for computers (this is protected by copyright law);
- presentations of information;
- inventions whose exploitation would be contrary to public order or morality; the exploitation shall not be deemed to be so contrary merely because it is prohibited by law;
- new strains of plants, breeds of animals, biological processes of plant cultivation or animal breeding; this provision does not apply to microbiological processes or the products thereof; (new types of plants can be, however, protected in Poland in accordance with the International Convention for the Protection of New Varieties of Plants);
- methods for treatment of the human or animal body by surgery or therapy or diagnostic methods applied on human or animal bodies; this provision shall not apply to products, and in particular to substances or compositions applied in diagnostics or treatment.

2.6.3. Trademarks

The registration and protection of trademarks in Poland is regulated in the Industrial Property Law Act dated June 30, 2000 (Journal of Laws 2003, No. 119, item 1117 as amended). Any sign capable of being represented graphically can be a trademark, provided that such a sign is capable of distinguishing the goods of one entity from those of another. The following, specifically, can be considered to be trademarks: words, designs,

ornaments, combinations of colours, three-dimensional shape of goods, the packaging of them as well as melodies or other sounds.

An exclusive right is obtained by registration of a trademark, and applies from the time of the given application. It is valid for 10 years from the date of an application and it is possible to extend protection for further 10-year periods without limitation of renewal.

The registration and protection of trademarks in Poland is regulated in the Industrial Property Law Act dated June 30, 2000.

From March 26, 2008, the following official fees apply in trademark registration proceedings:

- filing an application up to three classes - 550 PLN;
- each additional class over three classes - 120 PLN;
- payment of fees for a ten-year protection period:
 - a) for every class up to three classes - 400 PLN;
 - b) for every next class over three classes - 450 PLN;
- payment of the publication fee - 90 PLN.

Anyone not having a place of residence or a registered office in Poland can only act through a patent agent in the registration proceedings in the Patent Office.

Community Trademarks are also protected as registered trademarks in Poland.

2.7. Competition law

2.7.1. Protection of competition and consumers

Polish law creates conditions for the development and protection of competition, and protects the interests of undertakings and consumers.



Practices restricting competition are prohibited under the Protection of Competition and Consumers Act of 16th February 2007 (which replaced the previous act of 15th December 2000). Such practices include:

1. entering into an agreement (with a competitor or a supplier/distributor) that results in:

- direct or indirect fixing of prices or other conditions of purchase or sale of products;
- restriction or control of production or supply, as well as technical development or investments;
- dividing up supply or purchase markets;
- application of onerous or non-homogeneous contractual terms in similar transactions with third parties, thus creating different conditions of competition for these parties;

- signing of an agreement subject to the acceptance or fulfilment of another activity by the other party, which is neither substantially nor customarily related to the subject of the agreement;
- restriction of access to the market or the elimination from the market of entrepreneurs who are not party to the agreement; or
- collusion in the terms and conditions of a bid submitted by companies taking part in a tender, in particular, with regard to the scope of work or the price.

2. abuse of a dominant position, in particular by:

- directly or indirectly imposing unfair prices, including predatory or glaringly low prices;
- significantly delayed payment terms or other conditions of purchase or sale of products;
- limiting production, supply or technical development to the detriment of contractors or consumers;
- imposing onerous or non-homogeneous contractual terms in similar transactions with third parties, thus creating diversified conditions of competition for these parties;
- making the conclusion of an agreement subject to the acceptance or fulfilment of another activity by the other party, which is neither substantially nor customarily related to the subject of the agreement;
- counteracting the formation of the conditions required for the emergence or development of competition;
- imposing onerous contractual conditions by an enterprise through which it gains unjustified profits;
- creation of onerous conditions of redress for consumers; or
- dividing up the market by territorial, product or entity-related criteria.

In this respect, it is important to remember that under the Act, there is a presumption

(which may be rebutted) that an enterprise has a dominant position when it holds a market share exceeding 40% of the relevant market.

The body responsible for promoting and protecting competition in Poland is the Chairman of the Office for Competition and Consumer Protection. The Chairman of the Office may take action to prevent practices restricting competition that take place in Poland or have an impact on the Polish market. He/she can, in particular, order the cessation of such practices, and the introduction of new clauses or amendments to existing contracts.

Moreover, certain transactions (such as: mergers; takeovers of the whole or part of the assets of another company; the acquisition of direct or indirect control over a company); must be notified to the Chairman of the Office before the transaction is executed. The transaction cannot be completed before the receipt of the Chairman's clearance decision. The conditions for such notification are: that the aggregate worldwide turnover of the enterprises taking part in the planned transaction (and their groups) exceed the equivalent of EUR 1 billion or their aggregate turnover achieved in Poland exceeds the equivalent of EUR 50 million in the year preceding the notification, none of the Act's exemptions are met and the transaction has, or may have, an impact in Poland. The Chairman of the Office may prohibit a concentration if it could result in a significant restriction of competition in the market, in particular, by the creation or strengthening of a dominant position.

Foreign investors establishing businesses in Poland, acquiring shares in existing companies or acquiring companies through privatisation should ensure that these procedures are approved by the Chairman of the Office if such transactions are required to be notified

pursuant to the requirements of the Act.

With regard to fines, if the Chairman of the Office finds that an undertaking is restricting competition he can impose a financial penalty upon the undertaking of no more than 10% of the revenue earned in the accounting year preceding the year in which the penalty is imposed, the Chairman may also order the dissolution, closure or demerger of that undertaking.

The Chairman of the Office can also impose financial penalties on parties for not complying with decisions that he has issued.

2.7.2. Prevention of unfair competition

The Prevention of Unfair Competition Act of 16th April 1993 regulates the prevention and suppression of unfair competition in commerce.

Polish law states that an act of unfair competition is any activity in breach of the law or good practice that threatens or violates the interests of another enterprise or customer.

The following activities are considered to be acts of unfair competition (the list is not exhaustive):

- misleading name of an enterprise;
- false or fraudulent marking of the geographical origin of goods or services;
- misleading marking of goods or services;
- violation of business secrets;
- inciting the termination or non-performance of a contract;
- imitation of products;
- making allegations or praising products unfairly;
- impeding market access;
- bribery of a public official;
- unfair or illicit advertising;
- sale of goods or services granting a free bonus that is made up of goods or services that differ from those which are sold

(except products of small value, samples of goods or goods won in promotions or lotteries);

- in promotional lotteries - composing offers in such a way that the consumer is sure of winning if he orders the goods or services contained in the promotion, or pays an amount in advance to the offering party;
- the organisation of pyramid selling systems;
- for discount store networks - the introduction of own brand goods into trading for an amount exceeding 20% of the value of turnover;
- business activities involving the management of a property erected in a group with the participation of consumers and aimed at financing purchasing rights, chattels, real estate or services to the benefit of participants of the group (consortium system).

An enterprise whose interest is threatened or infringed by an act of unfair competition can request:

- the cessation of the prohibited practices;
- the elimination of the effects of prohibited practices;
- the publication of a single or repeated representation of appropriate content and form,
- rectifying damages, in accordance with the general regulations;
- the handover of unjustified benefits, in accordance with the general regulations;
- the award of an appropriate sum of money for a defined social goal related to the support of Polish culture or related to the protection of national heritage - where the act of unfair competition has been deliberate.

At the request of the aggrieved enterprise, the court may adjudicate on infringing products and specifically order their destruction.

2.7.3. State aid regulations

State aid disrupts the market by supporting certain firms or products to the detriment of other firms or products. Consequently, state aid that distorts competition in the single market is prohibited by the Treaty establishing the European Community (EC).

The EC Treaty, however, foresees exceptions to the ban on state aid where the proposed aid may have a beneficial impact in overall EU terms. In particular, it allows for:

- aid to remedy the damage caused by natural disasters or exceptional occurrences;
- aid designed to:
- promote the economic development of areas where the standard of living is abnormally low and where there is serious under-employment;
- promote the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a Member State;
- facilitate the development of certain activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent that is contrary to the common interest (from Article 87 (3) EC).

State aid may take a variety of forms such as, for instance:

- cash grants;
- interest relief;
- tax relief;
- state guarantees or holdings;
- provision of goods and services on preferential terms by the state directly or indirectly.

The European Commission has exclusive competence for scrutinising aid measures of EU states. As with any other Member State, Poland is required to notify the European Commission of an envisaged aid scheme or individual measure in advance for prior clearance. The Commission also has the power to require that aid granted

by Member States which is incompatible with the single market is repaid with interest by the recipients.

The amount of regional state aid (the aid for new investment or for creation of new jobs related to an investment) that is admissible to a single enterprise may not exceed the maximum intensity of aid determined for each given region of Poland.

The maximum intensity of aid allowed amounts to:

- 50% in the territories of the following ten provinces: Lubelskie, Podkarpackie, Warmińsko-Mazurskie, Podlaskie, Świętokrzyskie, Opolskie, Małopolskie, Lubuskie, Łódzkie and Kujawsko-Pomorskie; (for the period 2007 - 2013);
- 40% in the territories of the five provinces: Pomorskie, Zachodniopomorskie, Dolnośląskie, Wielkopolskie, and Śląskie (for the period 2007 - 2013), and, for the period from 1st January 2007 until 31st December 2010 in the territory of Mazowieckie province, excluding the city of Warsaw;
- 30% for the city of Warsaw (for the period 2007 - 2013), and during the period from 1st January 2011 until 31st December 2013 for the entire Mazowieckie province.

The maximum intensity of aid for newly created small enterprises in the territory of the Mazowieckie province will amount to 35% of the expenditures born during the first three years from the creation of an enterprise, and 25% of the expenditures born during the following two years. For the remaining provinces, for newly created small enterprises, the maximum intensity of aid of 40% and 30%, respectively, will apply.

Newly created small enterprises will include any microenterprises and small enterprises that were established less than five years ago. The level of intensity means that enterprises

may obtain support up to a level that does not exceed a given percentage of their investment costs or of the two-year labour costs of newly employed workers in the case of aid for the creation of new jobs. For small enterprises, the intensity of regional investment aid may be increased by 20% and for medium-sized enterprises the intensity may be increased by 10%. Large investment - with eligible expenditure above EUR 50 million are subject to detailed additional rules.

The amount of regional state aid that is admissible to a single enterprise may not exceed the maximum intensity of aid determined for each given region of Poland.

There are several block exemption regulations in force, including regarding aid to SMEs, aid for training, aid for employment, regional aid and de minimis aid (as a general rule - up to EUR 200,000 over a three-year rolling period (EUR 100,000 in the road transport sector)). State aid granted in compliance with block exemptions is subject to limited information requirements to the Commission.

2.8. Product certification

Since joining the EU, products manufactured in Poland, or imported into Poland, must comply with safety standards that are common to all European countries. Products must comply with general safety standards and, in the case of many types of products, with more detailed safety standards indicated in respective legal acts concerning such products.

Depending on the product, assessment of conformity with safety standards may require the participation of an authorised research establishment (with some types of products, a certificate of conformity issued by such an authorised body may be required). For many products, a conformity assessment can be prepared by the manufacturer himself, at his own risk. After a successful conformity assessment, many products need to be marked with a "CE" mark.

Listed below are the most important types of products subject to more detailed safety standards in Poland (depending on circumstances, some may require a certificate issued by an authorised body):

- lifts;
- noise-emitting equipment for outdoor use;
- recreational craft (boats);
- machinery;
- explosives for civil use;
- non-automatic weighing instruments;
- low voltage electrical equipment;
- simple pressure vessels;
- refrigerators and freezers;
- hot water boilers;
- ballast for fluorescent lighting;
- personal protective equipment;
- equipment for use in explosive environments;
- pressure equipment;
- gas appliances;
- medical devices;
- in vitro diagnostic medical devices;
- cableway installations for the carriage of persons;
- radio and telecommunications terminal equipment;
- construction products;
- toys;
- packaging;
- high speed rail systems;
- rail equipment;
- airplanes;
- materials that come into contact with food;

- bio-components;
- electric equipment;
- lighters;
- liquid bio-fuels.

2.9. Regulations for entering into contracts

Polish contract law is based on the rule of the autonomy of the parties will subjected to the mandatory provisions of the Polish Civil Code. The Civil Code regulates particular types of contracts; and general provisions of the Civil Code must be applied to contracts not directly regulated by it. Different regulations apply to relations between entrepreneurs as professionals, than for those with consumers.



Consumers are afforded a high level of protection, i.e. the Civil Code includes a list of abusive contractual clauses.

Disputes resulting from the performance of contracts may be resolved by civil courts, and in business relations by commercial courts, in accordance with Polish Civil Procedure Code. Disputes can also be resolved through arbitration or mediation.

Judgments of European Union Member States courts are enforced in Poland under the Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. Under this Regulation, Polish judgments may also be enforced in any Member State of the European Union.

Judgments of the courts of third countries are executed either under the Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters, concluded in Lugano on 16 September 1988 ("Lugano Convention") to which Poland is a party, or under the provisions of the Civil Procedure Code, depending on whether the judgment was issued in a signatory country of the Lugano Convention. Judgments of courts of countries that are not signatories to the Lugano Convention are enforced in Poland under the reciprocity rule.

Enforcement of foreign arbitral awards in Poland is based on the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 10 June 1958 ("NY Convention") and the Polish Civil Procedure Code.

2.10. Regulations governing mergers and acquisitions

Mergers of companies are regulated by the Code of Commercial Partnerships and Companies. The Code provides for two methods of company mergers:

- Acquisition - The transfer of all assets of a company into another, in exchange for shares, other securities or cash. The purchasing company acquires all the rights to the target company from the moment of its deletion from the National Court Register.
- Merger - The establishment of a new limited liability or joint-stock company. Assets of the merging companies are transferred into the new entity in exchange for its shares. The management bodies of the merging companies are obliged to draw up a charter for the new company. Once the new company is entered into the appropriate register, the separate legal existence of the merging companies ends.

Companies may merge with other companies and partnerships. However, a partnership may not acquire a company (limited liability

or joint-stock). Partnerships can merge with each other only by establishing a new company. All partnerships and companies can be converted into another partnership or company.

The merger of companies may result in the need to apply to the Office for Competition and Consumer Protection for a permit and if the merger involves a public company, certain obligations resulting from regulations on capital markets need to be satisfied. The most frequent method of acquiring control over a company is the purchase of its shares

2.11. Bankruptcy and restructuring

The Bankruptcy and Restructuring Act 2003 regulates the bankruptcy of entrepreneurs as well as settlement and restructuring proceedings aimed at preventing bankruptcy. An entrepreneur can be considered insolvent when he is permanently unable to meet his financial obligations towards his creditors, or when the assets of an enterprise operating as a corporate entity, or of a general partnership, professional partnership, limited partnership or a limited joint-stock partnership in liquidation are insufficient to meet their debts, even if the entity in question still pays all of its liabilities.

Bankruptcy proceedings are required to conduct the bankruptcy process which is aimed at repaying all liabilities and liquidating the debtor's assets or executing settlements with creditors. Bankruptcy proceedings are conducted under the supervision of the Official Receiver from the Commercial Division of the District Court.

A declaration of bankruptcy may be filed by any of the company's creditors or the debtor's governing body. After the company is declared insolvent, its corporate authorities lose their administrative rights over the company and its assets.

There are two types of bankruptcy that may be declared: liquidation proceedings which result in the sale of all assets and the deletion of the company from the National Court Register or bankruptcy with the possibility of entering into an agreement with the creditors.

Each creditor of an insolvent company should lay claim to his liability in writing. When a list of liabilities has been completed, a plan is drawn up for the distribution of the company's assets. This specifies the sum to be distributed, the list of all liabilities and the amount due to each creditor. Liabilities are repaid in the following order:

- costs of legal bankruptcy proceedings, social security contributions, employee remuneration, the receiver's fee and the costs of the proceedings;
- taxes and other public duties, as well as social security contributions not belonging to the first category that are due for one year preceding the declaration of bankruptcy, together with interest and the costs of enforcement proceedings;
- other liabilities, unless they are satisfied in the fourth (the lowest) category, contractual penalties and the costs of litigation and enforcement proceedings;
- interest on liabilities that have not been paid in the preceding categories, penalties and donations.

Instead of liquidation, bankruptcy proceedings may be finalised by an arrangement between the company and its creditors.

The Bankruptcy and Restructuring Act 2003 also contains regulations on the restructuring process which may be initiated by a debtor being an entity registered in the National Court Register and which is under threat of insolvency (i.e. it appears obvious that the entity is likely to become insolvent). Such companies may initiate and conduct proceed-

ings aimed at reducing debts or repaying them in installments, as well as securing the payment of their debts. The procedure is supervised by a court appointed supervisor but is carried out by the debtor, who has a large amount of discretion in the whole process.

A revision (amendment) of the Bankruptcy and Restructuring Law Act 2003 is currently being undertaken.

2.12. Public procurement regulations

The principles for concluding remunerated contracts between private entities and public finance sector entities or other entities financed from public resources are regulated by the Public Procurement Act dated 20 January 2004. From the point of view of its substantive scope, this act applies to supply and construction work and also service contracts.

The regulations of the act do not apply to, among other things, orders the value of which does not exceed EUR 14,000, orders concerning the granting of subsidies from public resources on the basis of a legal act or else acquisition of rights to real estate. In the scope in which the act is not applied, public contracts shall be concluded subject to the case at hand or on the principle of freedom of contract, or as is the case of real estate, on the basis of the regulations of separate acts. Principles concerning the conclusion of contracts in the act's procedure envisage that each set of proceedings should be conducted subject to fair competition and the equal treatment of contractors. Openness of procedure is also the rule, an exception to which is the possibility of reserving non-disclosure of business secrets at the demand of participants. With the exception of the exclusions envisaged in the act, tender proceedings are conducted in written form and in the Polish language. This means above all that the contracting party draws up indispensable pro-

ceedings documentation in Polish, i.e. an announcement about the tender, specification of significant terms and conditions of the order and minutes of proceedings. An exception to the principle of conducting proceedings in Polish is the possibility of the contracting party also admitting both offers and also other documents and statements to participation in the proceedings that are in a language universally used in international trade or that is the language of the country in which the order is being placed.

The sources of information about planned proceedings as regards public procurement are: the Public Procurement Bulletin (Biuletyn Zamówień Publicznych - currently published on the website of the Public Procurement Office (Urząd Zamówień Publicznych), i.e. www.uzp.gov.pl) and the official Journal of the European Union, series OJ S (at present, announcements on public procurement are placed on the website page <http://ted.publications.eu.int>). At the present moment, contracting parties do not have an obligation to place announcements in the Official Journal of the European Union if the value of an order for construction works does not exceed the equivalent in PLN of the amount of EUR 5,150,000 or, depending on the kind of entity placing the order, EUR 130,000.

Particular details concerning content and procedures for announcements depend on the procedure in which the procurement order is granted.

It should be stressed at this point that the act envisages the following procedures for the granting of a public procurement order, which should in every case end with the conclusion of a contract between the contracting party and the contractor:

- unlimited tender;
- limited tender;
- negotiations with announcement;
- competitive dialogue;

- negotiations without announcement;
- order without restrictions;
- a price enquiry;
- electronic bidding;

The basic forms of procedure on the basis of the Act are the unlimited tender and the limited tender, which means that it will be possible to apply other procedures only in exceptional situations where additional statutory prerequisites have arisen.

The supplier or contractor taking part in a tender is obliged (with some exceptions) to pay a tender deposit of between 0.5% and 3% of the value of the procurement. The deposit should be paid in cash, or in the form of a bank guarantee or surety, insurance guarantee, bill of exchange guaranteed by a bank and, with the consent of the contracting party, in the form of endorsed cheques. Irrespective of the above, the contracting party may also demand from contractors (and in cases indicated in the act it has such an obligation) the securing of contract performance, the purpose of which is to cover claims in respect of non-performance or improper performance of the contract. The basic forms of security are: money, bank guarantees and insurance guarantees. With the consent of the contracting party, security may also be provided by bills of exchange with bank endorsement and through the institution of a pledge. The principle is that security is established in an amount from 2% to 10% of the total price given in the offer or the maximum nominal value of the obligation of the contracting party arising out of the contract.

The contracting party makes a pre-qualification of offers on the basis of the price or the price and other criteria indicated in the specification of significant procurement terms and conditions. Other criteria might be, in particular, quality, functionality, technical param-

ters, application of best available technologies in the scope of environmental impact, usage costs, servicing and the order performance deadline. A public procurement contract should be concluded within a deadline of not less than 7 days from the date of giving notification of the selection of offer. Essentially, no changes can be performed in its content after the conclusion of the contract, unless the necessity of performing changes arises out of circumstances that could not have been envisaged earlier or the change of contract is advantageous to the contracting party.

Contracts for the performance of the substance of public procurement are governed by the provisions of the Civil Code and the Civil Procedure Code, unless the Act on Public Procurement Law provides otherwise. Suppliers and contractors submitting tender proposals have the right to lodge protests against the tender process.

Protests may be filed within seven days of the date on which the supplier or contractor learned or could have learned of circumstances giving grounds for filing a protest. Protests are to be reviewed by the contracting party. In the case of unfavourable consideration of the protest, contractors may file an appeal to the Chairman of the Public Procurement Office (but only in situations in which the value of the order exceeds the threshold of EUR 130,000 or EUR 206,000, depending on what type of entity the contracting party is). An appeal is to be filed within five days from the moment of the resolution of the protest or the expiry of the deadline within which the protest should be considered. A public procurement contract cannot be concluded so long as appeal proceedings or proceedings as a result of submission of a protest are in progress.

Public procurement regulations

The Act on Public Procurement Law dated 20 January 2004 was subject to its last significant amendment in 2007. At the present moment, successive changes are planned in the content of the act, and legislative work towards this is at the governmental stage. Among other things, the planned changes cover the following:

1. Changes concerning the procedures for granting public procurement orders:
 - liquidation of the "price enquiry" as a procedure for granting a public procurement order;
 - simplification of the "electronic bidding" procedure, based on the introduction of the option to file offers electronically without the necessity of sending the offer with a secure electronic signature;
2. Changes to the appeal procedure:
 - extension of the 7-day deadline for lodging a protest (calculated from the moment at which the contractor discovered or could have discovered about circumstances constituting the basis for filing a protest) to 10 days;
 - extension of the 5-day period for lodging an appeal against the adjudication of a protest made by the contracting party to 10 days;
3. Changes concerning statutory definitions:
 - a change of the definition of "service", based on reference regarding the meaning of this concept to the European Directives;
4. Changes concerning the determination of the level of tender deposit and loss of the tender deposit:
 - the statutory amendment assumes replacement of the provision in accordance with which "the contracting party sets the level of tender deposit within the range of 0.5% to 3% of the procurement order value" with a provision in accordance with which "the contracting party specifies the amount of the tender deposit in an amount no greater than 4% of the procurement order value";

- the amendment envisages the loss of the tender deposit by those contractors who do not follow the demands of the contracting party upon being called on to supplement documents confirming the possibility of participating in the proceedings;
5. Changes concerning demanding documents confirming the possibility of participating in proceedings in the procedure of art. 26 of the Act:
- the amendment envisages the repeal of the provision of the act in accordance with which the contracting party may withdraw from demanding documents confirming the possibility of participation in proceedings in the case of procurement orders the subject of which is banking or insurance services;
6. Changes concerning the possibility of modifying a contract concluded on the basis of the Act's procedure:
- the amendment envisages that after the conclusion of a contract on the basis of the Act's procedure it shall be impossible to modify the content of the contract, were this to lead to an increase in the size or scope of the procurement order. Until now, such a modification has been possible if its basis was circumstances that were impossible to envisage at the moment of the conclusion of the contract.

2.13. CO₂ emission allowances

Issues regarding the acquisition and use of CO₂ emission allowances are regulated by the Greenhouse Gases and Other Substance Emission Allowances Trading Act dated 22 December 2004.

Those running installations emitting carbon dioxide into the atmosphere as a result of their activity may perform emissions only within limits corresponding to the quantities of emission allowances held by them, where 1 CO₂ emission allowance corresponds to the right to emit 1 Mg of carbon dioxide. Types of installations covered by the system of emission allowances trading are specified in a



regulation of the Environmental Protection Minister.

CO₂ emission allowances (European Union Allowances - EUA) for the years 2008-2012 (the so-called second settlement period or phase two) are granted to those running installations in the National Allocation Plan (Krajowy Plan Rozdziału Uprawnień do Emisji), which has been adopted by the Council of Ministers in the form of a regulation.

When an installation starts operating within the course of a settlement period, emission allowances are granted to the entity running the installation in a permit for participation in the emission trading scheme issued by a provincial chief executive (marszałek województwa), county chief executive (starosta) or provincial governor (wojewoda) (depending on the kind and scale of activity being conducted by the installation).

As a result of the decision of the European Commission dated 26 March 2007, issued in association with the assessment of the National Allocation Plan proposed by Poland,

the entire annual quantity of emission allowances for Poland for the years 2008-2012 was restricted from 284,648,332 to 208,515,395 allowances, i.e. by around 27%. As a result, the number of allowances intended for new installations has also decreased.

The National Allocation Plan should have been published by 30 September 2007, but as of the end of February 2008 it had nonetheless not yet been adopted by the Council of Ministers.

The entity running the installation should have an account at the National Emission Allowances Register, which is conducted by the National Emission Allowances Trading Administrator, in which emission allowances are entered.

An entity running an installation is required to present an auditor-verified annual report on emissions actually made as at 31 December of a given year of a settlement period by 31 March of the following year. The National Emission Allowances Trading Administrator performs entries into the National Emission Allowances Register on the basis of a report prepared in this way, discontinuing the number of emission allowances corresponding to the actual level of emissions in the given year of the settlement period. Both emission allowances (EUA units) and certified emission reductions (CER units), as well as emission reduction units (ERU) arising from projects implemented as part of the Clean Development Mechanism (CDM) and joint implementation (JI) specified in the Kyoto Protocol, can be used for the settlement of actual annual emissions from an installation. In accordance with the draft National Allocation Plan for the years 2008-2012, however, the number of CER and ERU units made use of for settlement of actual emissions cannot be greater than 10% of the number of emission allowances granted to the entity

running the installation in the National Plan for the given year in the settlement period (which is in accordance with the provisions of Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading in the Community and amending Council Directive 96/61/EC).

If it transpires from the annual report that the level of emissions has exceeded the number of allowances held by the entity running the installation, then on application of the entity running the installation, a county chief executive, provincial chief executive or provincial governor (depending on the type and scale of activity conducted by the installation) may, after having sought the opinion of the National Emission Allowances Trading Administrator, issue consent to the exploitation of allowances granted for the successive years of the settlement period. In such a case, however, the entity running the installation must undertake to appropriately reduce emissions or to purchase additional allowances in the successive year of the settlement period. Until the time that this obligation is met, the entity running the installation may not sell emission allowances granted to it in the National Plan for the successive year of the settlement period.

In the event of not possessing a sufficient number of emission allowances and not obtaining consent for making use of allowances granted for the successive years of the settlement period, the entity running the installation, irrespective of the requirement to make a settlement of emissions made, is required to pay a monetary penalty in the amount of EUR 100 for each allowance not possessed, this penalty being imposed by the Provincial Environmental Protection Inspector (Wojewódzki Inspektor Ochrony Środowiska).

The allowances held by the entity running the installation entitling emissions to be made may be used only in the course of a given settlement period. Allowances not used by the end of the settlement period are subject to annulment.

An entity running a number of installations may transfer allowances between installations to which it has legal title. The transfer of allowances should be notified to the National Emission Allowances Register within 30 days of date of performance of transfer (whereas in case of transfer taking place after 1 December of a given year of the settlement period, this should take place within 10 days).

Furthermore, for the purpose of increasing the efficiency of the use of emission allowances, entities running installations of one kind may form a so-called group of installations, facilitating joint settlement of emissions made. In such a case, those running installations should appoint a manager to whose account emission allowances will be granted and who will be obliged to settle emissions made by particular installations that form the group. An application for the creation of a group of installations should be directed to the Environmental Protection Minister, who will, in case of a non-rejection of the application by the European Commission within a period of 3 months from the date of its receipt, issue an opinion on the application and pass it to the respective provincial governor. The provincial governor takes the decision on the creation of a group of installations.

The entity running an installation covered by a system that has been granted emission allowances in the National Allowance Plan, issued by a county chief executive, provincial chief executive or provincial governor (depending on the type and scale of activity conducted by the installations), may make use of the allowances held or sell them after having obtained the consent of the authorising entity to participate in the community emission trading scheme. Permits are issued for a period of 10 years.

As part of the European Community, trade in CO₂ emission allowances may take place between private individuals, corporate bodies and non-incorporated organisational units. A contract of sale for allowances should be notified to the National Emission Allowances Register by the entity running an installation situated in Poland within a period of 3 working days from the date of its conclusion, otherwise being invalid.

Work is in progress at the Environmental Protection Ministry at present on the draft of a new act regulating the trade in CO₂ emissions that will fully implement community directives. At present, it is not possible to specify the deadline for the preparation of the project and initiation of the legislative procedure.



III. Investment incentives

1. Foreign investment policy

Companies with a foreign shareholding generally operate their businesses on the same principles as Polish firms - the rule of equal treatment of all companies applies. Poland has made significant progress in developing further improvements for foreign investments. The most significant issue in 2004 was the reduction in corporate income tax, which is currently set at 19%. Strict banking regulations on the provision of loans have been relaxed and have therefore helped reduce lending costs domestically, resulting in an improvement in the aggregate investment performance. Similarly, improvements in bankruptcy law and in the administration of real estate registers should help improve the ability of banks to collect on collateral and therefore, their willingness to lend.

2. Grants and incentives in Poland in 2007-2013

2.1. Business opportunities - overview

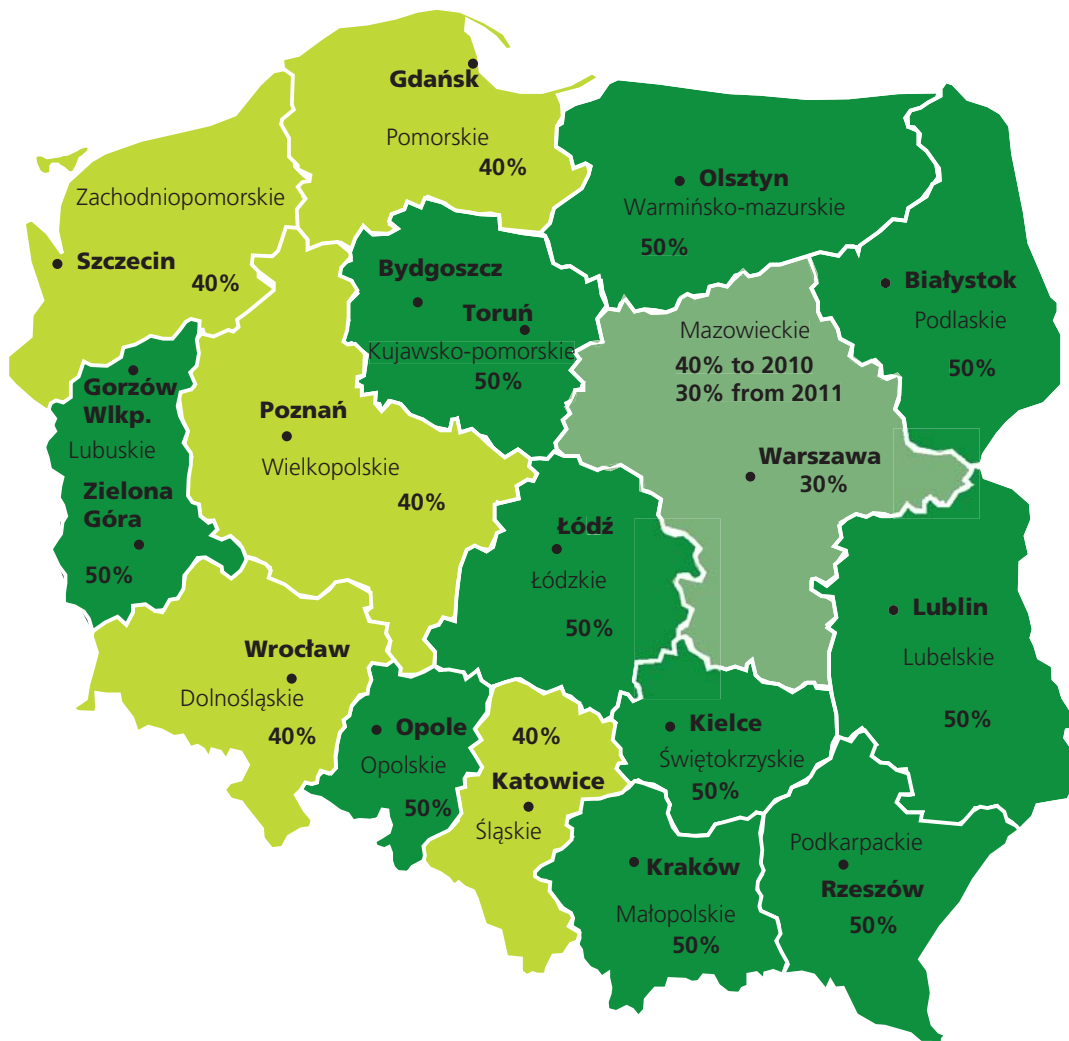
Investors may profit from various grants and incentives opportunities in Poland, regardless of where the capital comes from, as long as the direct beneficiary is a company registered in Poland. All possible sources are, however, subject to general EU regulations on public

aid, most of all - regional aid applicable to the majority of investment projects realised by investors, based on the New Regional Aid Map for Poland for 2007-2013. According to the map, the aid intensities differ depending on investment location and company's size. Accordingly, the available levels of funding are set at the level of 16 administrative units of Poland known as voivodeships. Presented below are the appropriate state aid intensity levels for each region of Poland in 2007-2013. In case of medium-sized enterprises and small enterprises, these intensities are increased by 10% and 20% respectively. The intensity cannot be exceeded as regards given investment, so that a company is allowed to combine different measures and sources, as long as the state aid rules are respected.

The state aid intensity for large investments, i.e. exceeding EUR 50 million is based on a separate scale.

The most popular aid measure among foreign investors, apart from EU structural funds and tax incentives in special economic zones described below, are governmental grants as part of the Multi-Annual Support Program. Subsidization concerns a certain group of industries: biotechnology, telecommunication, aviation, automotive or electronic. The grant refers to:

State aid intensity levels by region 2007-2013 (source: own study)



- cost of the investment (if the value of the investment exceeds PLN 160 million and at least 50 new jobs are created);
- two years costs of employment (if the value of the investment exceeds PLN 40 million and at least 250 new jobs are created).

Other sectors are eligible, if the company plans to invest over PLN 1 billion and create of over 500 new jobs. The level of financing and the final amount of grant is a result of

individual negotiations, led by the investor with the Polish government represented by PAIIZ (Polish Agency for Information and Foreign Investments).

A foreign investor is understood as an foreign entity planning to invest in Poland, having a branch here or being a majority shareholder of a Polish company.

2.2. EU Structural Funds 2007-2013

In the new programming period for EU funding (2007-2013) Poland is the largest beneficiary of EU funds. The total budget set for Poland amounts to EUR 79.16 billion and is several times higher than the budget for previous years (2004-2006).

EU funds can be provided for several investment types, such as innovative investments, establishment or extension of shared-service centres, R&D, human resources development and training as well as environmental protection. Grant schemes are grouped according to specific areas of support and defined under Operational Programmes. The key Operational Programmes that envisage support to enterprises are the following:

- Operational Programme Innovative Economy;
- Operational Programme Infrastructure and Environment;
- Operational Programme Human Capital;
- 16 Regional Operational Programmes.

Under Operational Programme Innovative Economy (OP IE), the main goal is the development of the Polish economy through innovative enterprises. Therefore, those investors who intend to start an investment resulting in a new product or process and introduce innovative technological or organisational solutions are able to apply for an investment grant. Creation of shared-service centres as regards IT, finance, HR, logistics, etc., is also promoted if the creation of 200 new jobs is envisaged and for R&D centres 10 new jobs is needed. Special measures of support are aimed at supporting projects based on the implementation of a new technology as well as investment projects that will have a significant effect on the Polish economy and R&D activities. The total budget of OP Innovative Economy amounts to EUR 9.7 billion.

Among the priorities of Operational Programme Infrastructure and Environment, funding is available for investments that have

a positive impact on the environment in existing enterprises (e.g. modernisation of existing installations resulting in a decrease of natural resources used, implementation of Best Available Techniques, investments in water mains and sewer infrastructure, recycling and neutralisation of waste, including second-use and dangerous waste) as well as the construction of environmentally-friendly infrastructure and projects in the area of energy security. The budget of OP Infrastructure and Environment amounts to EUR 37.6 billion.

Enterprises also have a possibility of applying for a refund of training projects aimed at adaptability of enterprises and their employees under Operational Programme Human Capital. Training projects eligible for funding might include training, post-graduate and MBA studies, e-learning, blended learning and advisory related to training and HR policy. The total budget of OP HC amounts to EUR 11.5 billion.



There are 16 regional Operational Programmes for particular voivodeships, which include supporting projects aimed at increasing entrepreneurship and innovation. Small and medium-sized enterprises are considered as major beneficiaries of indirect and direct support under 16 ROPs. Total budget of 16 ROPs amounts to EUR 16.5 billion.

In case of investments falling under state aid regulations, the maximum value of aid should not exceed state aid intensity levels defined in a given region of Poland. The maximum grant value of non-regional aid (e.g. training grants under OP HC) is defined in specific documents published by relevant authorities. In general, large enterprises can obtain grants up to 80% of the value for training activities. However, it is possible to increase this measure to 100%. It is important to underline that over 100 measures for entrepreneurs are provided for within structural funds and operational programs, so that various companies in various sectors can satisfy their multiple needs and in order to identify available opportunities for specific companies, a detailed dedicated analysis should be conducted case by case.

2.3. Special Economic Zones (SEZ)

Special Economic Zones (SEZ) are designated areas in the territory of Poland in which business activities (manufacturing and services) can be conducted on preferential terms. The zones are not extraterritorial by nature, but they enjoy special relief in taxation and have the infrastructure necessary for starting a business.

Entities that are willing to take advantage of the incentives have to obtain special permission for conducting business activities in the SEZ. The managing authorities of the SEZ issue a permit based on the result of a tender or negotiations for conducting business in the Zone.

The incentives for investors in the SEZ are as follows:

- Large enterprises can obtain regional aid, as defined by the regulations on state aid through exemption from corporate income tax (CIT) or personal income tax (PIT) up to the amount of state aid limit for a given province in Poland (for details see comments on Regional Aid Map in point 2.1 above). In general, in case of large enterprises, tax exemption may reach up to 50% of eligible costs in most provinces in Poland (40% in certain western provinces).
- The state aid limit is increased by 10% for medium-sized enterprises and by 20% for small enterprises which means that in the area of 50% state aid intensity, these companies can obtain an incentive in the form of unpaid income tax up to 60% and 70% of eligible costs respectively.

Special Economic Zones in Poland

Zone	Website
SEZ Euro-Park Mielec	www.europark.com.pl
Katowicka SEZ	www.ksse.com.pl
Suwalska SEZ	www.ssse.com.pl
Legnicka SEZ	www.strefa-legnica.com
Wałbrzyska SEZ	www.invest-park.com.pl
Łódzka SEZ	www.sse.lodz.pl
Kamiennogórska SEZ	www.ssemp.pl
Kostrzyńsko-Słubicka SEZ	www.ksse.pl
Słupska SEZ	www.sse.slupsk.pl
SEZ Starachowice	www.sse.com.pl
Tarnobrzaska SEZ	www.tsse.pl
Warmińsko-Mazurska SEZ	www.wmsse.com.pl
Pomorska SEZ	www.strefa.gda.pl
Krakowski Park Technologiczny (Cracow)	www.sse.krakow.pl

- Eligible costs consist of either investment costs (material and immaterial assets) or two years of labour costs including the social insurance contributions of new employees.

In order to take advantage of these favourable terms, the investment should be of at least EUR 100,000, should be maintained for at least five years (3 years for SMEs) and newly created jobs resulting from the investment should be maintained for at least 5 years (3 years for SMEs). Entrepreneurs doing business within the SEZ are obliged to inform the Office for Competition and Consumer Protection about the state aid received.

There are fourteen Special Economic Zones in Poland. Each SEZ consists of a number of sub-zones which means that areas of SEZs in Poland are presently scattered across the country, thus giving a prospective investor a choice of several possible locations.

3. Duty-free zones

Duty-free zones are separate parts of the EU Customs Zones in which goods are treated by the customs authorities as if they remained outside the zone. Both Community and non-Community goods may enter duty-free zones.

Polish and other EU companies are permitted to manage businesses in these zones. Several duty-free zones have been established in Poland and are situated primarily on the main communication routes (such as airports and border-crossings) located in: Warsaw, Gdańsk, Gliwice, Terespol, Szczecin, Świnoujście, Mszczonów. Duty free goods are only available to travellers departing to non-EU countries.

4. Customs (bonded) warehouses

A customs (bonded) warehouse is a storage facility for goods that are not subject to either customs duty or the regulations applied to imported or exported products during the storage period. A bonded warehouse can be open to the general public or private entities (with a limitation to authorised entities).

The requirements that must be satisfied to be able to operate a bonded warehouse include:

- a written application submitted to the head of the local Customs Office and an authorisation issued by this authority;
- the submission of collateral for potential customs liabilities;
- no arrears in customs duty or taxes;
- a positive bank reference on the company's financial standing.

5. Support for hiring the unemployed

Entrepreneurs can obtain support from local authorities for hiring and training unemployed people put forward by local labour authorities.

The main forms of assistance are:

- financial support for equipping the workplace (up to a limit of five times the average monthly salary in Poland);
- reimbursement of social security contributions (up to 300% of the minimum monthly salary in Poland);
- training programs for the unemployed organised by the local authorities are agreed with entrepreneurs.

Applications for the above privileges should be filed with the local Labour Offices with jurisdiction over the area in which the employer has his registered office.

6. Exemptions from local taxes

Partial or full exemption from real estate tax is possible. This exemption is of a general nature (for a group of entrepreneurs meeting certain conditions). A resolution of a Municipal Council deciding on exemptions should meet the requirements of the aid programmes specified in the regulations on state aid.

Partial or full exemption from road vehicle tax is also possible. This tax, however, applies to trucks and buses only; passenger cars are not subject to road vehicle tax.

7. OECD guidelines for multinational enterprises

The OECD Guidelines for Multinational Enterprises are recommendations on responsible business conduct addressed by governments to multinational enterprises. The Guidelines apply to businesses operating in or from OECD adhering countries and a few other countries that have adopted the Guidelines - almost 40 countries in total. The Guidelines have been developed in consultation with the business community, labour representatives and non-governmental organisations. The basic premise of the Guidelines is that principles agreed in such forums and internationally can help prevent conflicts and can build an atmosphere of confidence between multinational enterprises and the societies in which they operate.

The text of the Guidelines contains recommendations on applying good corporate governance practices regarding human rights, the elimination of child labour and forced labour as well as the prevention of corruption. Companies are also advised to ensure disclosure of regular, reliable and relevant information in a timely and regular manner on their activities, structure, financial situation and performance. When dealing with

consumers, enterprises are recommended to act in accordance with fair business, marketing and advertising practices and ensure the safety and quality of the goods or services they supply.

The environment section encourages multinational enterprises to raise their environmental performance through improved internal environmental management and better contingency planning for environmental impacts. Enterprises are recommended to take actions protecting the environment, public health and safety, and generally to conduct their activities in a manner contributing to the wider goal of sustainable development. Companies are recommended to take into account the established policies in the countries in which they operate and consider the views of other stakeholders, encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees, develop ties with local universities, public research institutions and participate in cooperative research projects with local industry or industry associations. Last but not least, the Guidelines recommend companies to encourage their business partners, including suppliers and subcontractors, to apply principles of corporate conduct that are compatible with the Guidelines.

While many businesses have developed their own codes of conduct in recent years, the OECD Guidelines constitute the only multilaterally endorsed and comprehensive code that governments are committed to promoting. Observance of the Guidelines by enterprises is voluntary and not legally enforceable. However, any case of a breach of the Guidelines may be submitted to OECD National Contact Points (NCPs). NCPs are responsible not only for promoting the Guidelines and handling enquiries but also for helping to resolve issues that arise in so-

called specific instances and acting as a forum for discussion of all matters relating to the Guidelines. The Polish OECD National Contact Point is located at the Polish Information and Foreign Investment Agency (Polska Agencja Informacji i Inwestycji Zagranicznych S.A., PAIiIZ S.A.).

The complete text of the Guidelines can be found on the OECD and the PAIiIZ websites (www.paiz.gov.pl).

In Poland





IV. Poland in Brief

1. Key facts about Poland

1.1. Geographic location and climate

The Republic of Poland is the 9th largest country in Europe by geographical area, with an area of approximately 312,679 sq. km, stretching 649 km from north to south and 689 from west to east. It is often referred to as being located in the centre of Europe because of its proximity to both western and eastern markets. Poland shares borders with Germany to the West, the Czech Republic and Slovakia to the South, the Ukraine, Belarus and Lithuania to the East and Russia to the North.

Poland's national borders have a total length of 3,511 km. The borders with non-EU countries (Ukraine, Belarus and Russia) constitute the eastern border of the EU and have a total length of 1,163 km.

Poland's largest rivers are the Vistula (1047 km in length), the Oder, the Warta and the Bug, all of which contribute to the country's water supply. The Oder is the natural border with Germany. Both the Vistula and the Oder rivers flow northwards across the country into

the Baltic Sea. Forests, which cover nearly 30% of the country, provide raw materials for Poland's well-developed timber products industry.

Geographically, Poland is relatively diversified, despite the fact that 75% of the country is less than 200 m above sea level. The Baltic Sea coastline forms most of the northern border and provides over 500 km of sandy beaches, bays, steep cliffs and dunes. The coast is a popular destination for holidaymakers, both local and from abroad. Another destination that is popular with tourists is the extensive Mazurian lake district in the north-eastern part of the country, with more post-glacial lakes than any country in Europe except Finland.

Moving southward, the majority of the western, central and eastern regions of Poland are lowlands. The Sudety and Carpathian mountain ranges form Poland's natural southern border. The highest point in Poland is the Rysy peak (2,499 m) in the Polish Tatra part of the Carpathian mountain range. Because of its geographic location, Poland generally has a moderate continental climate,

but is prone to unpredictable temperature fluctuations from season to season and from year to year. The winter months (from December to March) are generally cold, with snow throughout the country and temperatures from 0°C (32°F) to a minimum of -20°C (-4°F). The depth and durability of snow also varies. In the lowlands, it rarely exceeds 20 cm, as it melts several times during the winter. In the mountains, snow covers may keep for 200 days, depending on altitude, and may reach a depth of up to two meters.

From July to September, summers are mostly sunny and warm, with temperatures up to 35°C (95°F) anticipated in the holiday month of August. The warmest regions in Poland are the Silesian Lowlands and the western part of the Sandomierz Valley. Average annual temperatures are lowest in the north-eastern part of the country.

Precipitation varies with altitude and ranges from 500 mm a year in the lowlands to 1,070 mm in the mountains. The average rainfall amounts to 600 mm per year.

Poland is in the Central European time zone and is one hour ahead of GMT. It switches to daylight saving time between March and October.

Up to 1998, Poland had 49 provinces, known as voivodeships. This changed on the 1st of January 1999, and today, there are 16 provinces, 379 boroughs, or poviats (of which 65 are cities with poviat status) and 2,478 municipalities (gmina). The capital of Poland is Warsaw, with 1.7 million inhabitants (as of 30.06.2006), located in the centre of the country on the Vistula river. Other large cities include Katowice, Kraków, Łódź, Wrocław and Poznań. The major seaport cities are Gdańsk, Gdynia, Szczecin and Świnoujście.



Republic of Poland administrative divisions since 1999
(source: www.poland.gov.pl)



1.2. Population and language

The population of Poland is approximately 38.1 million, which represents about 5.3% of the total population of Europe. This makes Poland the 8th largest country in Europe and the 32nd largest in the world by size of population. Over 98% of the population are ethnic Poles. Germans constitute the largest ethnic minority, followed by the Ukrainians and Belarusians.

The majority of the population lives in cities, with 29% of all citizens living in one of the 39 largest cities having a population of over 100,000 inhabitants.

Poland's workforce is one of the youngest in Europe, with the population of working age exceeding 24.481 million in 2006. The retirement age is 65 years for men and 60 years for women.

The majority of Poles (almost 90%) are Roman Catholics. The official language is Polish, but most educated Poles speak one or more foreign languages. The most commonly spoken foreign languages are English, German and Russian.



Population statistics (source: Central Statistical Office)

	Females	Males	Urban areas	Rural areas
1990 (38.2 million)	51.3 %	48.7 %	61.8 %	38.2 %
2006 (38.116 million)	51.7 %	48.3 %	61.2 %	38.8 %

Population of working and non-working age, in % (source: Central Statistical Office)

	1990	2000	2005	2006	2007
Pre-working age	29.60	24.1	20.6	20.1	19.6
Working age	57.50	61.2	64	64.2	64.4
Post-working age	12.90	14.70	15.4	15.7	16

1.3. Political system

The Republic of Poland is a democratic state of law, implementing the principles of social justice. Poland's supreme law is the Constitution which was passed on the 2nd of April 1997 and ratified in a national referendum.

The system of government of the Republic of Poland is based on the separation of and balance between the legislative, executive and judicial powers. Legislative power is vested in a bicameral Parliament, composed of the Sejm (lower house) and the Senate (upper house); executive power is vested in the President of the Republic of Poland and the Council of Ministers, while judicial power is vested in the courts and tribunals.

1.3.1. The President

The President of Poland is elected through a general election. The President is elected for a 5-year term and can remain in office for a maximum of two terms. He is the Head of State and the Commander-in-Chief of the armed forces. As the representative of the state in foreign affairs, the President may ratify and renounce international agreements. The President has the duty to sign statutes approved by Parliament, but also has the right to veto these acts. Such a veto can be overruled by a 2/3 majority vote in the Sejm. He also has the power to dissolve Parliament when it is incapable of performing the tasks of government or cannot agree to approve a draft of the State Budget. The President appoints the Prime Minister and other cabinet ministers.

1.3.2. The Parliament

Legislative power is vested in a bicameral Parliament. The upper house, the Senate, consists of 100 senators elected by their respective electorates for a 4-year term of office.

The Sejm, or the lower house, consists of 460 deputies. They are elected through a general election for a 4-year term of office.

The legislative procedure starts with the Sejm. A bill passed by the Sejm is submitted to the Senate, which may approve it, adopt amendments or reject it. However, the Senate's veto may be overruled by an absolute majority vote in the lower house.

The Sejm and the Senate sitting in joint sessions, which are presided over by the Marshal of the Sejm, constitute the National Assembly. The National Assembly's tasks are to adopt the Constitution, receive the oath from the President and resolve to press charges against the President, thus making him accountable to the State Tribunal.

1.3.3. The Council of Ministers

The Council of Ministers, as the executive body, handles the state's internal affairs and foreign policy, ensuring the implementation of statutes, management of the administration, approval of the draft of the State Budget and maintenance of the state's internal and external security. The Council of Ministers consists of the Prime Minister and the subordinate ministers. The Prime Minister, who is appointed by the President, designates the membership of the government. The government is appointed by the President after its program has been accepted by the Parliament.

The government is accountable to the Parliament for its activities throughout its term of office.

The non-governmental state authorities, which control and enforce legal rights laid down in the Constitution, are the Supreme Chamber of Control, the Commissioner for Civil Rights Protection (Ombudsman) and the National Broadcasting Council.

1.3.3.1. The Supreme Chamber of Control

The Supreme Chamber of Control (Najwyższa Izba Kontroli, NIK) is the chief state audit body and is responsible solely to the Sejm. The Chamber audits the activities of the government administration authorities, the National Bank of Poland and other state authorities. It has the right to audit the activities of local government and other commercial entities regarding the management of public finance.

1.3.3.2. The Commissioner for Civil Rights Protection (Ombudsman)

The office of the Commissioner for Civil Rights Protection (Rzecznik Praw Obywatelskich) has been introduced with the aim of safeguarding civic rights and freedoms that are guaranteed by the Constitution, as well as other normative acts. The Sejm appoints the Commissioner for a 5-year term. The Commissioner is independent and responsible only to the Sejm, informing it of his activities.

1.3.3.3. The National Broadcasting Council

The National Broadcasting Council (Krajowa Rada Radiofonii i Telewizji, KRRiTV) safeguards the freedom of speech, the right to information and the public interest with regard to radio broadcasting and television. Two of the Council's five members are appointed by the Sejm, one by the Senate and two by the President. The term of office of the Council is six years. The Council specifies the conditions of the activities of radio and television broadcasters, supervises compliance with regulations, issues licenses for radio and television broadcasting and establishes subscription and license fees.

1.4. Central and local government administration

The governing tasks in Poland are divided between central and local administration.

The central administration is comprised of the Chancellery of the President, the Council of Ministers, their respective ministries and structures, such as committees, centres and councils that operate in accordance with the acts of Parliament.

The responsibilities of the ministries are summarised below:

- Ministry of Economy: policy-making regarding the economic development of the state;
- Ministry of State Treasury: representing the State Treasury in the area of managing its property, including, in particular, the commercialisation and privatisation of state-owned enterprises and national investment funds;
- Ministry of Foreign Affairs: foreign policy;
- Ministry of Interior and Administration: overseeing internal security and state administration;
- Ministry of Finance: tax policy, State Budget and public finance;
- Ministry of Agriculture and Rural Development: agricultural policy;
- Ministry of Science and Higher Education: supervision of state policy in the area of science and tertiary education;
- Ministry of Justice: maintenance and development of the basic guarantees of the rule of law;
- Ministry of National Defence: defence policy, matters connected with the fulfilment of the general duty of national military service;
- Ministry of Infrastructure: infrastructure policy, transport and communications, maritime policy;

- Ministry of Culture and National Heritage: supports the arts and culture, protects Polish heritage, implements strategies to promote cultural and heritage attractions;
- Ministry of the Environment: environmental protection;
- Ministry of Health: administration of the health care system, provision of services to the public through such programs as pharmaceutical policy, community and public health, as well as health promotion and the prevention of diseases;
- Ministry of Regional Development: regional policy;
- Ministry of National Education: policy for national education;
- Ministry of Sport and Tourism: promotion and development of sports and tourism;
- Ministry of Labour and Social Policy: labour policy, social welfare.

Under the new administrative division (introduced in 1999), the country is divided into provinces (voivodeships, *województwa*), boroughs (*poviats*, *powiaty*) and municipalities (*gminas*, *gminy*). Representatives of the Council of Ministers in the voivodeships are the governors (*voivodes*, *wojewodowie*), who also act as supervisory authorities for local government units and represent the State Treasury. A voivode is appointed by the Prime Minister and is responsible for the execution of the government's policy within a voivodeship. The voivode is the head of the Voivodeship Council, which defines policies and controls the voivodeship authorities. The voivode is responsible for organising the Council's activities and presides over its sessions.

1.5. System of justice

The bodies of judicial authority in Poland are courts and tribunals which are separate and independent of the other institutions of power. The system of justice is vested in the Supreme Court, the common courts, administrative and military courts. Judges are independent, cannot be dismissed and are subject only to the Constitution and regulations. Supervision over the activities of common and military courts is exercised by the Supreme Court which hears cases under particular regulations, provides for uniformity and accuracy of interpretations of the law and issues opinions on bills.

The Supreme Administrative Court exercises control over the activities of public administration and judges the conformity of resolutions of local government authorities to the regulations and normative acts of local government administration authorities.

The Constitutional Tribunal judges the conformity of laws and international agreements, regulations issued by state authorities and of the objectives and activities of political parties with the Constitution. The Constitutional Tribunal adjudicates on disputes over authority between central state authorities and its judgments are final.

The most important state officials are accountable to the State Tribunal for breaches of the Constitution or a regulation, committed by them within their office or within their responsibilities.

2. Infrastructure

2.1. Transport and communications

Poland is located in the heart of Europe, with established road, rail, air and sea communication routes to all major European capitals.

2.1.1. Road system

The road network in Poland is continuously expanding. In 2006, it consisted of 382,615 km of roads, of which 255,542 km were hard-surface roads. It is therefore not surprising that road transport is the preferred method of transporting goods (75.2% of total transport by weight) and passengers (73.4% of total transport). The average road density is estimated to be 81.7 km per 100 sq. km, with the most complex road networks in urban areas, where the density is over 150 km per 100 sq. km. Areas with less developed road systems are the northern and north-eastern regions of Poland.

Car travel from Warsaw

	Distance	Time
Gdańsk	340 km	4h 30
Katowice	300 km	4h 00
Kraków	300 km	4h 30
Łódź	130 km	2h 30
Poznań	310 km	4h 00
Szczecin	524 km	8h 00
Wrocław	344 km	5h 30
Olsztyn	213 km	3h 00
Bydgoszcz	255 km	4h 00
Lublin	161 km	2h 30

2.1.2. Motorways

Poland had 699 km of motorways and 329 km of expressways as of April 2008. Plans have already been approved to extend the motorway network by building six main arteries of a combined length of approximately 1,987 km. The following motorways are currently under construction:

- A1 North – South, linking Gdańsk and Gorzyczki (on the border with the Czech Republic), of a total length of 568 km;
- A2 West – Central East, from the German border through Poznań and Warsaw to the border with Belarus, of a total length of 615 km;
- A4 West – South East, from the German border through Wrocław, Katowice and Cracow to the Ukrainian border, of a total length of 670 km;
- A6 – from the German Border to Szczecin – Wielgowo, of a total length of 21 km – already completed;
- A8 – Bypass of Wrocław, from the West and North West of the city, a total length of 35 km;
- A18 – from the German border to Krzyżowa, of a total length of 78 km.

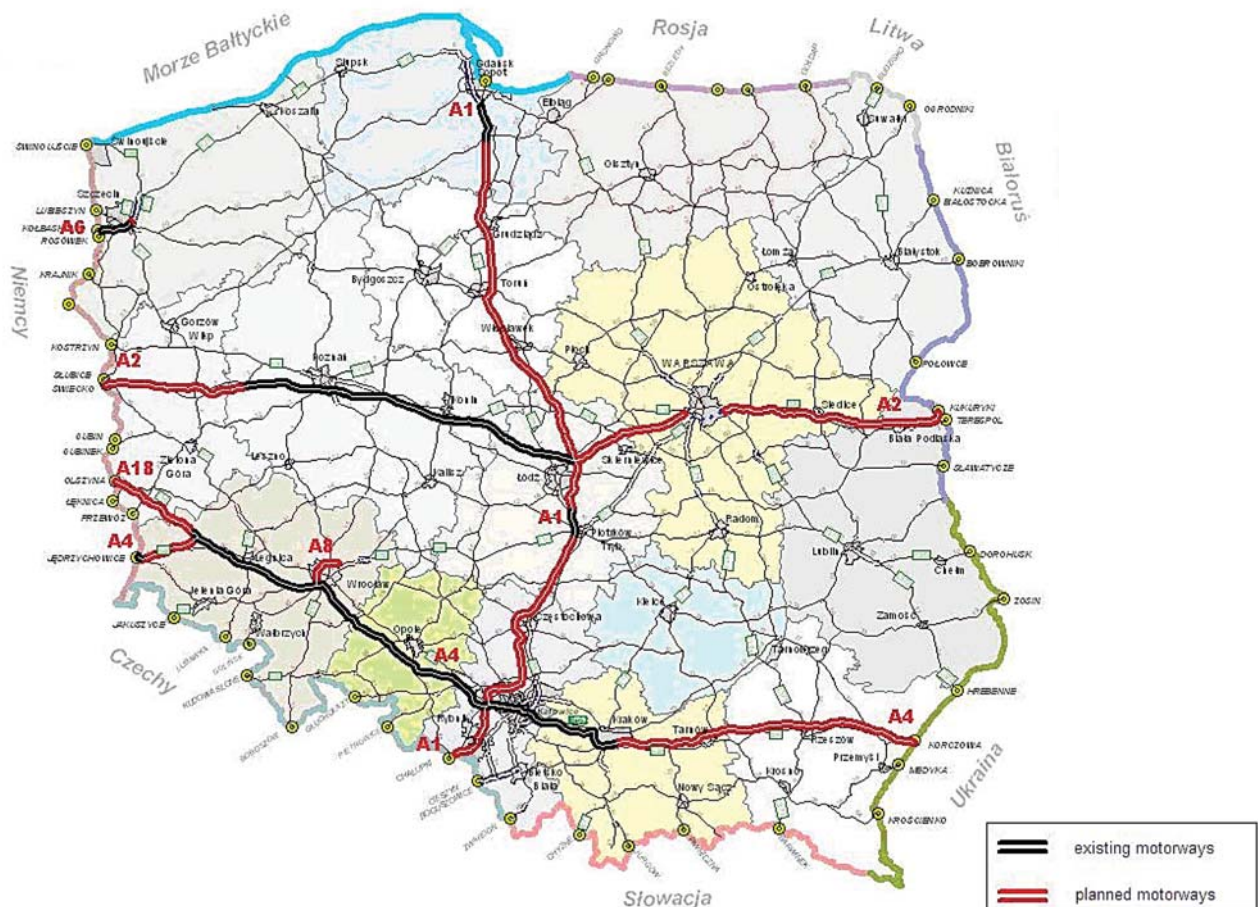


2.1.3. Railways

The railway network covering Poland had a total length of 20,176 km in 2006 and included predominantly standard gauge lines, of which 58.8% are electrically powered. The only broad gauge however, is 400km long and connects Ukraine with Silesia, enabling the fast transportation of natural resources. The average density of the rail network is 6.5 km per 100 sq. km. Poland has one of the highest densities of railway networks in the

world. The last remaining narrow gauge lines with a total length of approximately 100 km are located in south-eastern Poland, but are due to be replaced. The total length of the rail network in Poland has been steadily declining since the mid-1980s, as lines became less economically viable. Railway transport comprises 21.5% of total cargo transport calculated in tonne-kilometres.

Planned motorway network in Poland (January 2008; source: General Directorate for National Roads and Motorways)



2.1.4. Air transport

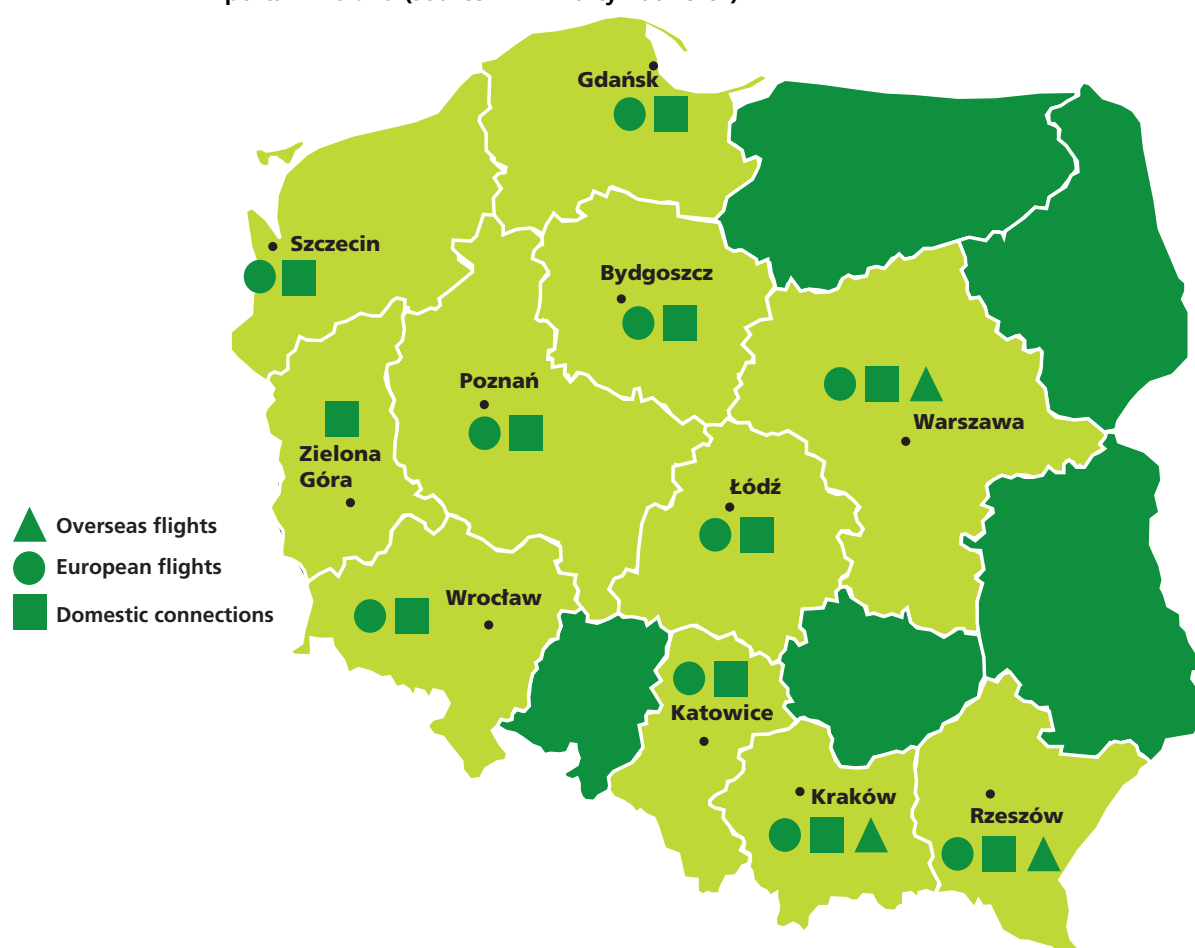
The country's main carrier is LOT Polish Airlines, which is a member of Star Alliance. Approximately 19.1 million passengers were carried in 2007 (24.1% growth from 2006 and 215.8% growth from 2004). The largest Polish airport is Warsaw – Frederic Chopin Airport (formerly Okęcie Airport), which is the main domestic and international airport. Other domestic airports (some of which have international connections) include Kraków, Bydgoszcz, Gdańsk, Katowice, Łódź, Poznań, Wrocław, Szczecin, Rzeszów, Szczytno and Zielona Góra. Low cost airlines, such as Aer Lingus, Centralwings, Germanwings, EasyJet, Jet Air, Norwegian,, Ryanair, Wizz Air are currently also marketing their services.

2.1.5. Waterways and maritime transport

The length of inland navigation routes is 3,660 km. Inland waterway transport accounts for 0.63% of all cargo carried. Inland waterways are a less popular means of transport than rail or road. The fleet comprises 816 vessels for cargo transport (barges, pushers and tugs) and 118 passenger ships with a total of 12,126 seats. The Oder, lower Vistula, Warta and Noteć, as well as the waters near Szczecin and Gdańsk have good conditions for the use of inland waters. The most commonly carried goods are sand, gravel, coal, metal ores and fertilizers.

The main commercial seaports are Gdańsk, Gdynia, Szczecin and Świnoujście. The maritime transport fleet consists of 121 vessels. Maritime transport accounts for 0.68% of all cargo carried.

Airports in Poland (source: P.P. "Porty Lotnicze")





2.2. Telecommunications infrastructure

2.2.1. Telecommunications systems

The last decade has brought a substantial growth in the telecommunications sector, with an increase in the number of customers, especially in mobile telephony, and the introduction of many new services.

Telecommunications used to be one of the most rapidly developing and most promising sectors of the Polish industry but currently further growth seems to be slower (in monetary terms) due to increased competition and the falling prices of the services. However, the Polish market is by far the largest among the telecommunications markets of the EU's new member countries.

Telephone landlines are present in almost 60% of households, while for the last two years this number has been dropping due to substitution from mobile telephony. Operators have also started to introduce wireless technologies such as WiMax as a substitute to traditional landline telephony.

The deregulation process has significantly influenced the price level of fixed-line telephony. The dominating position of the incumbent operator, Telekomunikacja Polska S.A. (TP S.A.), has been further weakened. Altnets have entered the fixed-line market without the development of their own network, but using regulatory solutions like

Bitstream Access (BSA), Wholesale Lines Rental (WLR) or Local Loop Unbundling (LLU) that were imposed by the NRA.

Additionally, cable TV providers in major cities offer Triple-Play services, which include TV, Internet access and fixed-line telephony and they are becoming important market players having 4.5 million subscribers.

Poland is one of the major European importers of telecommunications equipment and devices. Leaders of the local fixed line telephone sets market are: Atlantel Doro, MaxCom, Mescomp, Phillips, Panasonic, Sagem, Siemens, Swissvoice, Topcom.

2.2.1.1. Fixed line telephony systems

Telekomunikacja Polska S.A. decisively dominated the fixed line telephony market in 2007. However, it lost market share in the voice market due to the strong marketing activities of alternative operators like Netia S.A., Dialog S.A. and Tele2 Polska Sp. z o.o., which have been able to target TP S.A.'s retail clients using WLR. However, the fixed-line segment has been shrinking due to the substitution effect of mobile services and VoIP

2.2.1.2. Internet

According to data from the Office of Electronic Communications, the Polish Internet access market was worth PLN 2.71 billion, which is 7% less than in 2006. However, lower turnover was caused by discounts extensively offered by companies to attract new subscribers.

Therefore, actual revenue growth will be visible in 2008. Further growth of the market is expected as in comparison with EU Poland still lags behind despite 630,000 new subscribers in 2007 (a 22% increase y-o-y). The main provider of Internet services, with a market share reaching almost 43%, is Telekomunikacja Polska S.A. with its Neostrada service, a DSL-based solution. Due to regulatory pressures, alternative fixed-line operators such as Netia, Dialog, Tele2

or GTS Energis have been able to offer their services to TP S.A.'s clients using the BSA solution. Altnets are convincing still more clients to use their services. In bigger cities, where the cable companies have their infrastructure, cable Internet access is an alternative to the DSL-based solution.

The main mobile Internet access providers are the mobile network operators: PTC, Polkomtel and PTK Centertel. The widest mobile Internet coverage is offered by PTC, which was the first to offer mobile Internet with its blue connect service. The worst coverage is offered by Polkomtel, which has postponed its investment in EDGE technology. Mobile Internet is generally available in large and medium-sized cities. The fourth operator – P4 is launching its mobile Internet firstly in Warsaw.

In June 2007, there were approximately 3.4 million broadband Internet connections (22% growth in comparison to last year), which gave Poland 9th position in Europe and 19th globally. Over 22% of Polish households had fast Internet access in mid-2007 (compared to 16% a year earlier).

In 2007, over 60% of households had computers, 40% had access to broadband Internet (15% had access to the Internet with a speed up to 1 Mb/s) and 20% used Internet banking and shopping regularly.

2.2.1.3. Mobile telephony

Mobile telephony as a major segment of the telecommunications market was still an engine of growth in 2007. The mobile telephony market has been booming since 1996. The penetration rate exceeds 100%, what means that, statistically, every Pole uses a mobile phone. However about 20% of the population still does not possess a mobile phone and is not interested in doing so. Over half of mobile customers have prepaid accounts and this share will be even higher

due to the launch of MVNOs, which at the moment offer only prepaid services. Even fewer people are choosing postpaid offers. The third type of payment, typical for the Polish market is Mix that comprises the advantages of prepaid and postpaid payment forms and is quite popular among customers.

Competition on the mobile market was strong in 2007. There are three incumbent operators: Polska Telefonia Cyfrowa (Era and Heyah brands), Polkomtel (Plus and Sami Swoi brands) and PTK Centertel (Orange brand), which share more or less one third of the market each. Every operator's network covers almost 100% of the country. The new 3G operator – P4 (Play brand) entered the market in 2007 that is still developing its network and uses Polkomtel's 2G network based on a national roaming agreement. At the beginning of 2008, P4 reported 1 million customers. P4 has aggressive strategy targeted at young people.

Due to regulatory pressures, the first MVNOs entered the market in 2006. At the moment there are 8 virtual operators:

- mBank mobile, established by the first Internet bank and hosted on Polkomtel's network;
- Carrefour Mova, established by the retailer and hosted on Polkomtel's network;
- WPMobi, established by Wirtualna Polska S.A., an Internet portal, hosted on PTK Centertel's network;
- myAvon, established by Avon Mobile Sp. z o.o., hosted on PTK Centertel's network;
- Mobilking, established by Penta investment fund, hosted on PTC's network;
- MNI S.A., altnet, operates as an MVNE hosted on PTK Centertel's network. Brands hosted on MNI's platform: Snikers Mobile (Master Foods), Ezo Mobile (Ezo TV) and Simfonia;
- Cyfrowy Polsat, established by a satellite commercial television company, hosted on PTC's network;

- Aster, established by a cable television company, hosted on PTK Centertel's network.

Further virtual operators are expected to enter the market, which can strengthen the competition and lower the ARPU (average revenue per user). However, most of them have not achieved the sales level they expected, mostly because of having limited sales networks and due to cutting promotions compared to incumbent operators.

The mobile offer of mobile network operators is available through a company's outlets located in the most prestigious locations and in shopping centres. Top-ups can be bought in almost every newspapers kiosk, supermarket and ATM. The offer of MVNOs is available rather through their web site and shipped by post.

Nokia is the most popular mobile handset brand in the Polish market. Other brands with large market shares include LG, Motorola, RIM, Sagem, Samsung and Sony Ericsson.

2.3. Telecommunications density and connections lease market

At the end of 2005, Poland had 309 fixed-line telephones per 1,000 inhabitants and by the end of 2006 there were 296 fixed lines per 1,000 inhabitants. This downward trend is being maintained.

Approximately 80.7% of the 11.284 million telephone lines in 2006 were installed in cities. Private subscribers owned approximately 72.4% of fixed-line network telephones. The number of mobile telephone owners is growing quickly (in 2007 there were 41 million users) and the number of subscribers of landline telephones is falling, which caused an 11% drop in market value in 2007. Approximately 87% of subscribers are served by TP S.A.).

The value of the retail connections lease market in 2007 reached PLN 370 million (over EUR 100 million). The greatest revenues were achieved by TP S.A., Exatel S.A., Telekomunikacja Kolejowa Sp. z o.o., Netia S.A., Crowley Data Poland Sp. z o.o. and GTS Energis Sp. z o.o. The biggest players in the wholesale market were TP S.A., Exatel S.A., Telekomunikacja Kolejowa Sp. z o.o. and Netia S.A. 48.8% of the inter-operators market belonged to TP S.A. and 7.5% to GTS Energis Sp. z o.o.

2.4. Data transmission systems and density

Telekomunikacja Polska S.A. offers packet switched data transmission (POLPAK) for small and medium-sized companies. The network comprises 53 nodes and covers the entire country, offering connections to 140 countries. It is suited to users who do not require continuous connectivity but periodic data transmission. The system divides data into packets and transmits them with a throughput of two megabits per second. The network tolerates poor quality access lines, which guarantees security of the transmitted data.

Larger companies may use POLPAK-T, based on the Frame Relay/ATM system. Its major facilities are permanent virtual circuits and virtual private networks. This facility is suitable for companies with offices and branches located in large Polish cities. The network was launched in 1996. Today, the services are offered through the network of TeliaSonera and OpenTransit (France Telecom) allowing for multigigabite connections. TP S.A.'s Neostrada Internet DSL service which is being currently offered uses a structure of POLPAK-T.

3. Natural resources

3.1. Coal and lignite

Poland has significant reserves of coal and lignite. Natural coal reserves are estimated at approx. 43 billion metric tonnes. Most domestic coalmines are located in the Upper Silesia (Górny Śląsk) region, which is the densest industrial area in Poland.



Hard coal production in 2006 was about 97.6 million metric tonnes, i.e. higher than domestic consumption (83.7 million tonnes), with part of the surplus exported (16.7 million tonnes) and the remainder resulting in increased stocks.

Lignite reserves are estimated at approximately 14 billion metric tonnes and are generally located at a depth of 100-200 metres, making extraction relatively easy. Polish lignite has a relatively low calorific value and is less economically viable for transportation over long distances. Therefore, its consumers are most often coal-based power stations located near the mines. Lignite production amounted to 62 million metric tonnes in 2005. In the first half of 2007, production was

almost 10% lower than in the first half of 2006 and it reached 27.9 million tonnes. It is expected that the annual level of production (around 60 million tonnes) should be sustained until 2021 and afterwards it will decrease to a level of zero around 2040–45.

3.2. Oil and gas

Sixty-six oil deposits were exploited in Poland by the end of 2005, of which two were off shore.

Geologically documented resources are estimated at 21 million metric tonnes and are mostly located in south-eastern and northern Poland. The structure of the deposits and, in some cases, their location limits the opportunities to increase production. Therefore, Poland is forced to import both oil and petroleum products. 765,000 metric tonnes of oil were produced in 2006 (expectations for year 2007–700,000 metric tonnes), out of which 248,000 metric tonnes was the oil from off-shore production. This production covered only around 3% of national demand. Processed fuels are sourced mainly from Polish refineries because of barriers (both logistical and customs) on imported products. Imported products are used to a limited extent near the borders with the Czech Republic and Germany.

Due to rapidly rising fuel prices there is a great interest in developing infrastructure for production and use of “bio-diesel”.

Poland is an importer of natural gas, the imports of which satisfy about 75% of the country's demand. The production of gas in 2006 reached 3.2 billion cubic meters. The country has insufficient production of nitrified natural gas. Gas deposits are estimated at 143 km³. Those located in south-eastern Poland are considered most attractive as this gas has a high calorific value. Most of Poland's gas supply is currently imported from Russia.

3.3. Other deposits

Poland also has small deposits of sulphur, salt and potassium salts. Metals mined include copper, zinc, lead and iron.

KGHM, a copper mining company located in south-western Poland, is the world's third largest producer of copper and is listed on both the Warsaw and London Stock Exchanges.

Other abundant resources in Poland include limestone, marble, dolomite, chalk, gypsum and quartz.

3.4. Crops and livestock

Cereals, potatoes and sugar beet are the main crops in Polish agriculture. Poland is a major producer of apples, cabbage, carrots, wheat and rye. The cattle livestock at the end of 2007 was estimated at over 5.4 million heads and approximately 15.7 million pigs were bred for consumption.

4. Energy sector

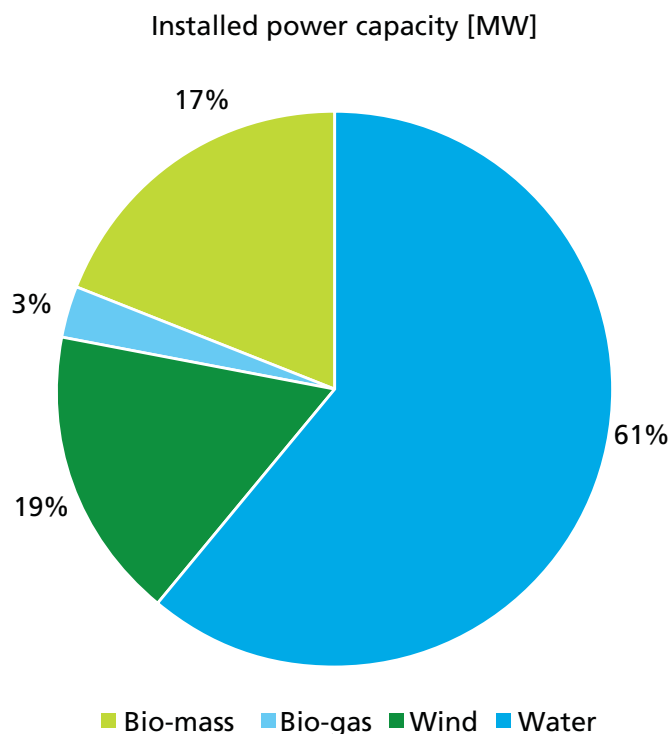
In 2006, Polish power stations generated a total of 161.7 TWh of electricity and national consumption reached 136.7 TWh. Annual electricity generation was then approx. 4,200 kWh per inhabitant. The main materials used for generating electricity are hard coal and lignite. A small percentage of the total amount of electricity produced is obtained from renewable sources of energy (4.3 TWh in 2006) with the dominant role going to hydro energy. Poland has no nuclear power stations. According to European Commission projects Poland should be striving to achieve a 15% share of renewable energy in total energy sold to final consumers by 2020.

The energy sector, formerly 100% state-owned, is currently being privatized. The process includes power stations and electricity distribution companies throughout the country.



Energy sales to household consumers are subjected to tariff regulation and the sale of energy to industrial consumers is performed on a competitive basis. It is expected that the tariff obligation for household consumers will be abolished in January 2009

Share of the type of renewable energy source in total renewable energy capacity installed by the end of 2007



Source: The Polish Economic Chamber of Renewable Energy

which might lead to price increases in the whole sector.

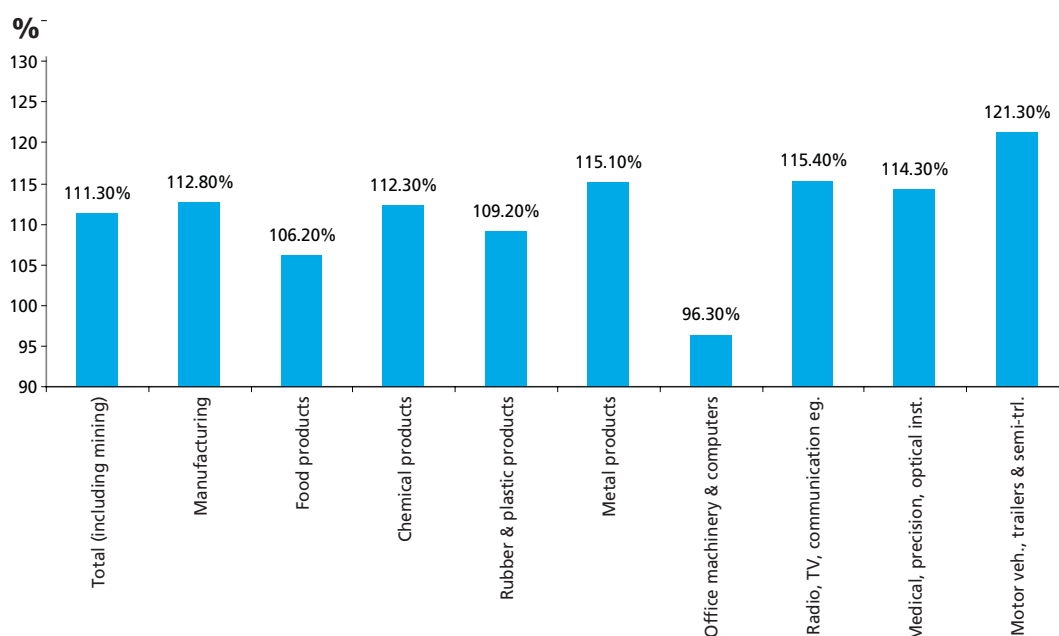
Other factors affecting the market in the coming future will be a necessity to create new production capacities, a low CO₂ allocation quota and very strict EU requirements regarding environmental protection, which will affect Polish energy production based on coal. These factors are expected to lead to an increase in energy prices in the coming years.

5. Industry

In 2006, industry accounted for 21.7% of Poland's GDP. Value added in industry accounted for PLN 230.48 billion. The private sector's share in the generation of gross domestic product in 2006 accounted for 67.1%, which, in absolute terms, amounted to PLN 712 billion. Figure below, illustrating the results of some industries for 2006, shows that the production of radio, TV and communications equipment increased over 44% in relation to 2005, office machines and computers over 28% and motor vehicles and trailers by almost 23%.

Poland is becoming the European centre of modern business process outsourcing (BPO) services. BPO centres in Poland are owned mainly by large international companies and provide services related to IT systems, finance and accounting, research and development, storage and warehouse logistics.

Changes in industrial production sold in 2006 (constant prices, year 2005 = 100, in %)



Source: Central Statistical Office (GUS)

Poland is famous for aviation production and maintenance. About 100 aviation companies operate in Poland, employing around 20,000 people. The 'Aviation Valley' located in the south-eastern part of Poland contains a group of manufacturers, scientific research and training centres associated with avionics, including a university with a faculty of mechanical engineering and aviation.

Poland is also one of the leading producers of yachts. About 4,600 boat building and servicing businesses were registered in 2006. Polish boat builders specialise in small and medium-size yachts of up to 8 meters in length. Polish yachts are known for their high quality laminates, precise outfitting, modern construction, precise handcrafting and attention to detail. They are mainly exported to Spain, Germany, France, the Netherlands, the United Kingdom, Russia, the USA, Japan and Australia.

Poland offers the best location for companies producing components for the automotive industry. Polish specialties are tires, car seats and upholstery, car electronics, electrical cables and car braking systems. The inflow of foreign investments into the automotive sector in recent years has resulted in the rapid development of the number of subcontractors, which is currently estimated at over 650 manufacturers. Many of these have the highest certificate of quality – ISO/TS 16949.

The largest white goods production centre in Europe is located in the Łódź Special Economic Zone, where some of the world's leading manufacturers have set up their factories: BSH Bosch and Siemens Hausgeräte GmbH, Indesit Company, Whirlpool, Electrolux and the Fagor Electrodomesticos Group operate in the zone.

Polish agricultural goods have an excellent reputation in Europe. They are considered

healthy, organically grown and of high nutritional value. Poland in 2006 was the largest producer of apples in Europe and a leader in the production of soft fruit, such as raspberries, blackcurrants, strawberries and cherries.

6. Tourism

Poland was the 16th most frequently visited country in the world and the most frequently visited country in Central Europe (among new EU members) in 2006. More than 66 million foreigners visited Poland in 2007 (just a slight increase over 2006), of whom 16.3 million were tourists (3.8% increase on 2006), mainly



from Germany and the Czech Republic. They spent over USD 3 billion in 2005, USD 3.4 billion in 2006 and USD 3.8 billion in 2007. According to estimates of the Institute of Tourism, up to 2013 there will be a moderate growth of the total foreign visits to Poland (about 2.9%) and the annual rate of growth of tourist visits should be around 4%.

Over 93% of foreigners enter Poland through road border crossings. According to estimates in 2007, some 3.8 million visitors declared that they came to Poland on holiday; 4.9 million came on business and 2.8 million came to visit family and friends.

Poland has a rich cultural heritage and a diverse landscape. Places of note include Warsaw (the capital), the historical capital Kraków, Wrocław, Gdańsk, Toruń, Wieliczka with its salt mine, and the Masurian Lake District. The geographical diversity caters for all tourism interests; from spectacular mountain ranges to picturesque lakes and the sea-side.

Poland's hotel infrastructure is expanding, with 1,295 hotels, 109 motels, 242 boarding houses, 655 other hotel facilities and 395 youth hostels operating in 2006. The total number of beds is approximately 574,600, of which 133,800 were in hotels. Boarding houses offered 11,100 beds, while motels offered over 4,100. Almost 49,000 beds were offered by training and recreational centres and 136,200 by holiday centres. The catering network has expanded in line with the growth in the accommodation infrastructure.

Poland was ranked 7th in Europe in terms of the number of health spas. More than 321 spas offer health facilities and treatments in 75 places located in areas that are unique for their natural healing environments. The largest of these include Nałęczów, Krynica Zdrój, Augustów, Kołobrzeg, Ciechocinek, Rabka, Duszniki Zdrój and Wieliczka – an underground spa in a former salt mine.

7. Polish banking and financial institutions

The banking system in Poland comprises the central bank (the National Bank of Poland, NBP), commercial banks (as well as branches of credit institutions) and cooperative banks. The activities of banks in Poland used to be supervised by the Banking Supervisory Commission, a separate body within the National Bank of Poland subordinated directly to the President of the NBP. However, on



January 1st, 2008 the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego, KNF) took over the supervision of banking and electronic money institutions. Major tasks of the PFSA are: capital market supervision, insurance supervision, pension scheme supervision, complementary supervision of financial conglomerates whereof the supervised entities constitute the part as well as banking supervision and electronic money institutions supervision. The PFSA itself is supervised by the President of the Council of Ministers.

7.1. The National Bank of Poland

The National Bank of Poland is the central bank of the Republic of Poland. The basic duty of NBP, according to the Polish Constitution, the Act on the NBP and the Banking Act, is to stabilise the level of prices. According to the strategy of the Monetary Policy Council, the goal is to keep the inflation rate at the level of 2.5% (+/-1 percentage point). The NBP is held accountable not only for price stability but also for the Polish zloty (PLN) exchange rate. Three basic functions of the NBP are: being the exclusive issuing institution of the Polish currency, acting both as the bank of the State and the bank of banks.

The management authorities of the NBP are the President of the NBP, the Monetary Policy Council and the NBP Management Board. The Monetary Policy Council lays down the foundations for monetary policy, sets interest rates and defines the level of obligatory reserves for commercial banks. The NBP Management Board is charged with implementing this policy.

7.2. Commercial banks

By the end of September 2007 in Poland there were 646 banks: 51 commercial, 13 branches of credit institutions and 582 cooperative banks, with a share of 89.9%, 4.0% and 6.1% of the total banking sector's assets respectively, whereas the total asset value of the Polish banking sector amounted to PLN 800 billion. Polish investors controlled 11 commercial banks (including the State Treasury which controlled 4 banks) and all cooperative banks. Foreign investors exerted influence over 40 commercial banks and held (together with 13 branches of credit institutions) 70.2% of the sector's assets. The greatest proportion of foreign funding capital in commercial banks, at the end of September 2007, came from Belgium (12.7%), Germany (9.5%), France (5.0%), followed by Austria

(4.8%), USA (4.3%), Portugal (4.2%), Ireland (3.8%) and the Netherlands (3.8%). However, 17.8% of the total assets of commercial banks belonged to investors from Italy (4 banks), 9.0% - Germany (9 banks), 8.2% - the Netherlands (4 banks), 7.7% - USA (5 banks), 5.7% - Belgium (4 banks), 4.7% - Ireland (1 bank), 3.9% - France (9 banks), 3.7% - Portugal (2 banks), 2.0% - Austria (3 banks), 1.3% - Sweden (3 banks) and 1.0% - Spain (2 banks).

Since many of the international banking groups currently operate in the Polish market, foreign investors may find globally known banks in Poland. Furthermore, considerable progress has been made in banking services in recent years. Polish banks have adopted the most modern solutions and introduced new services, also dedicated to small and medium enterprises and corporations.

By the end of 2007 there were over 26 million of payments cards (of all popular card providers like VISA, MasterCard, Diners Club and American Express), of which almost 8 million were credit cards. The number of banks offering credit cards for small and medium enterprises has increased recently in Poland. There were 11,542 ATMs throughout the country and over 610 million ATMs transactions at the total value almost 210 billion were performed. The number of bank branches in Poland increased up to 13,468. This growth has had a positive effect on the service level offered to companies as well, since banks are opening branches dedicated to small and medium enterprises and corporate customers.

On 28th January 2008, the Single Euro Payment Area (SEPA) system started with over 4,100 banks in 31 European countries. In Poland, 15 banks (including the NBP) joined the project on the starting date and two more joined in

March 2008. By 4th March 2008, over 2 million transactions had been performed using the SEPA system. SEPA's goal is to allow customers to make non-cash euro payments to any beneficiary in the euro area as a "domestic" payment.

According to Polish law, it is obligatory for every company operating in Poland to have an account at a Polish bank. The account must be registered with the tax authorities. Registration documents should be presented when opening an account on behalf of a legal person. Every bank account in Poland is protected against unauthorised access by the Secrecy Act and the law of confidentiality.

8. Stock exchange and capital market regulations

More than 350 companies are currently listed on the Warsaw Stock Exchange (Giełda Papierów Wartościowych, GPW, WSE). Most securities and all treasury bonds and deriva-



tives are quoted in the continuous trading system. Only some securities are traded in the single price quotation system.

The following trading systems exist on the WSE:

- single price auction system;
- continuous trading;
- off-session block trades.

The Warsaw Stock Exchange deals in:

- stocks;
- bonds;
- subscription rights;
- investment certificates;
- futures;
- warrants;
- index-linked participation units.

The stock exchange operates between 9.00 a.m. and 4.35 p.m. local time, Monday to Friday.

An interesting alternative to WSE is NewConnect which is organised and operated by the WSE outside the regulated market. This new alternative trading system started in 2007 and is aimed at investors who are looking for a potentially higher than usual return on investment but with respectively larger risk. The companies listed on NewConnect represent innovative sectors relying on intangible assets e.g. informational technology, electronic media, biotechnology or alternative energy. NewConnect has less strict formal and information requirements than the WSE.

8.1. Structure of the Warsaw Stock Exchange

The Warsaw Stock Exchange was founded by the State Treasury as a non-profit joint-stock company. The highest decision-making body of the Warsaw Stock Exchange is the General Meeting of Shareholders. Its role is to make changes to the Articles of Association and to elect members of the Supervisory Board. It consists of representatives of the State Treasury, banks, brokerage houses and listed companies (WSE shareholders).

The Warsaw Stock Exchange's Supervisory Board formulates the rules of the WSE, controls the exchange's operations, admits securities to trading and grants and recalls stock exchange membership. It comprises 12 members appointed by the General Meeting of Shareholders. The Management Board coordinates the day-to-day operations of the WSE, sets the rules for the introduction of securities to exchange trading and supervises the activities of brokers and brokerage firms in market transactions. The Management Board consists of four members acting under the supervision of the President who is elected by the General Meeting of Shareholders for a 3-year term.

8.2. Financial Supervision Authority

The tasks of the Polish Financial Supervision Authority (FSA) cover capital market supervision, insurance supervision, pension scheme supervision, banking supervision, electronic money institutions supervision and complementary supervision of financial conglomerates where the supervised entities constitute a part. Moreover, the tasks of the FSA include the following:

- undertaking measures aimed at ensuring the regular operation of the financial market;
- undertaking measures aimed at the development of the financial market and its competitiveness;
- undertaking educational and information measures related to the operation of financial markets;
- participating in the drafting of legal acts related to financial market supervision;
- creating the opportunities for amicable and conciliatory settlement of disputes that may arise between financial market actors, in particular disputes resulting from contractual relations between entities covered by PFSA supervision and recipients of services provided by those entities;
- carrying out other activities provided for by acts of law.

The aim of financial market supervision is to ensure the regular operation of this market, its stability, security and transparency, confidence in the financial market, as well as ensuring that the interests of market actors are protected.

The FSA is the only administrative body authorised to admit securities to public trading. An entity willing to publicly trade its shares or bonds is obliged to prepare a prospectus that should include a detailed description of the stock and detailed information about the company, including its registered office, the nature of its business, the structure of equity, the Management Board, the management style, plans for the future, the last three annual reports and the latest audited annual financial statements.

The FSA ensures that a prospectus satisfies the specific conditions stipulated by the law and grants permission for the stock to be traded. GDRs and ADRs also require the approval of the FSA in order to be issued. The FSA also exercises administrative supervision over the activities of brokerage houses and grants permits for each specific category of brokerage activities.

8.3. Acquisition of material blocks of shares

Special requirements need to be satisfied to enable the specified limits of votes to be exceeded at the General Meeting of Shareholders:

- 5%, 10%, 20%, 25%, 33%, 50% and 75% – obligatory notification of the FSA and the company itself, within four days from the date that the limit is exceeded or from the date on which the obligee learned of such a change or could have learned if reasonable care had been taken.

Also the same notification is required from a shareholder who:

- holds over 10% of the total vote and his share has changed by at least 2% (stocks on the official stock-exchange) or 5% (stocks on a regulated market other than the official stock-exchange);
- holds over 33% of the total vote and his share has changed by at least 1%.

Failure to comply with these requirements may result in a fine of up to PLN 1 million. Disclosure obligations will be changed due to implementation of the Takeover Directive and the Transparency Directive.

There are also obligations to announce and complete a public call for subscription to sell, or convert, shares of a public company. The acquisition of a number of shares in a public company which increases a shareholder's share in the total vote by more than:

- 10% within a period shorter than 60 days – if a shareholder holds less than 33% of the total vote at the company;
 - 5% within 12 months – if a shareholder holds 33% or more of the total vote at the company;
- such acquisition may be effected only by a public call to acquire or exchange the shares.

Moreover, to acquire more than 33% of the total votes, a public call must be made for subscription or conversion of shares of an amount allowing 66% of total votes to be attained. To acquire more than 66% of the total votes, a public call must be made for subscription, or conversion, of all remaining shares.

An investor who has purchased shares giving him at least 90% of the votes at the General Meeting of Shareholders has a right to demand that the other shareholders sell all the shares held in the company (mandatory buyout). On the other hand, any shareholder has the right to demand that his shares be acquired by another shareholder who reaches or exceeds 90% of the votes in the company. The price of shares may not be lower than the average stock price for the previous six months.

8.4. Position of foreign investors

Foreign investors are generally entitled to transfer all of their profits abroad. Furthermore, capital gains may be transferred abroad without the need to obtain special permission. Foreign investors are generally subject to the same rules and regulations as Polish investors.

8.5. Venture capital funds

Venture capital activities are conducted by investment funds, consulting companies, investment banks, special funds belonging to financial corporations and, recently, also by companies in the IT sector.

Most of these are foreign companies or companies with a foreign shareholder, which is due to the lack of funding and experience in this type of activity on the domestic market. Most companies established by venture capital funds operate in the IT and media sectors.



9. Education

9.1. The education system

From pre-school education, through primary and lower secondary stage, Polish pupils reach the stage of upper secondary education. Both state and private education institutions exist in Poland. The latter began to appear after 1990. However, at the compulsory education level, almost all pupils attend state schools (99%). A private school must receive permission to operate from the Ministry of National Education. It acquires legal status and is then registered by the Minister of National Education. A selection of international schools is available in major cities, where education is provided in English or other languages.

9.1.1. Pre-primary education

The first level of the education system is pre-primary education, for children aged between 3 and 6. Children aged 6 have one year of compulsory education as part of the so-called '0 grade', which prepares children for primary school education. In the first half of 2008, the Ministry of National Education started working on demographic and financial analysis as well as on a draft act to reduce the school age by one year. According to MNE's plans, the first group of six year-olds would start primary school with their one year older peers on September 1, 2009. Implementation of the changes would take six years.

9.1.2. Compulsory full-time education

Compulsory education in Poland covers two types of schools: primary and lower secondary schools. Primary school education lasts 6 years, and its pupils are children aged between 7 and 13 (planned: 6 and 12). Lower secondary school education lasts 3 years and is for children aged between 13 and 16 (planned: 12 and 15). Age is the only criterion for being accepted into primary school, and a certificate of having finished primary school is required for admittance to lower secondary school.

Catchment areas apply – parents register their children with schools located nearest to their homes. The school year is divided into two semesters and lasts approximately 185 days, from September to June. School education is generally spread over 5 days a week. Teachers examine the knowledge and skills acquired by pupils at school in the form of both written and oral tests. Pupils not obtaining satisfactory results must repeat a year.

A new system of external examination of pupils at the end of primary school and lower secondary school was introduced in Poland, starting from the 2001/2002 school year. Pupils take a compulsory examination at the end of 6 years of primary school (at the age of 13, planned - 12). Their next compulsory final examination comes at the end of the 3-year lower secondary school (at the age of 16, planned 15). Results are stated on the lower secondary school graduation certificate.

9.1.3. Upper secondary and post-secondary education

The following types of schools exist at this level in Poland: general education upper secondary school (liceum ogólnokształcące), with pupils aged from 16 to 19 (planned: 15 to 18), specialised upper secondary school (liceum profilowane), with pupils aged from 16 to 19

(planned: 15 to 18), technical college (technikum), with pupils aged from 16 to 20 (planned: 15 to 19), and basic vocational school (zasadnicza szkoła zawodowa), with pupils aged from 16 to 18-19 (planned: 15 to 17-18). Admittance to these schools is conditional upon having a lower secondary school graduation certificate.

Moreover, two types of supplementary schools have been created for graduates of 2- or 3-year basic vocational schools: supplementary general education secondary school (uzupełniające liceum ogólnokształcące), with students aged from 18-19 to 20-21 (planned: 17-18 to 19-20) and supplementary technical college (technikum uzupełniające), with students aged from 18-19 to 21-22 (planned: 17-18 to 20-21).

Graduates of general education upper secondary schools may continue studying in post-secondary schools (szkoła policealna), with students aged from 19-21 (planned: 18-20). Having completed this level of education, all schools (except basic vocational) organise final examinations (matura). A new, completely external form of the final examinations was introduced as of the 2004/2005 academic year. The matura certificate is required when applying for higher education. Basic vocational schools issue a basic vocational school graduation certificate (which allows pupils to enter the employment market).

Post-secondary schools (szkoły policealne) prepare their students for professional life. At graduation, students obtain the title of "skilled worker", "technician" or an equivalent professional title.

The introduction of an external standardised vocational examination at the end of 2-3 year basic vocational school is being planned. There are almost 30 international schools in Poland (see appendix 2). Classes, in most of them, are held in English, but also in German, French and in some Japanese. Fifteen of these international schools are located in Warsaw.

The remainder are in Gdańsk, Gdynia, Kielce, Kraków, Łódź, Poznań, Szczecin and Wrocław.

9.1.4. Higher education

At this level of education, students may choose between higher vocational courses (wyższe studia zawodowe), supplementary master's degree courses (uzupełniające studia magisterskie) and uniform master's degree courses (jednolite studia magisterskie).

Upon graduating from a 3 or 4-year non-uni-

Students of higher education establishments (2006/2007)

Field of education	No. of students (in '000)
Education science and teacher training	236.7
Arts	23.1
Humanities	175.1
Social and behavioural sciences	280.9
Journalism and information	18.3
Business and administration	437.8
Law	59
Life sciences	40.2
Physical sciences	32.2
Mathematics and statistics	16
Computing	101.8
Engineering and engineering trades	139.9
Manufacturing and processing	60.6
Architecture and building	58.7
Agriculture, forestry and fishery	39.3
Veterinary	4.4
Health	102.8
Social services	0.1
Personal services	67.2
Transport services	16
Environmental protection	27.8
Security services	3.4
Total	1941.3

Source: Central Statistical Office (GUS), Statistical Yearbook of the Republic of Poland 2007

versity higher vocational school (wyższa szkoła zawodowa), students obtain a diploma of their vocational qualifications and the title of bachelor (licencjat) or engineer, which allows them to enter the employment market or gives them the opportunity to continue their studies in a two-year master's degree course. Upon graduating from a uniform master's degree course, which lasts between 4.5 and 6 years, universities or other higher education establishments issue a higher education graduation diploma. Graduates receive the title of Master, Master of Education, Master of Arts, Master of Engineering, Master of Engineering in Architecture or Doctor, Doctor of Dentistry or Doctor of Veterinary Medicine depending on the type of course. Graduates with such titles may apply for doctoral studies.

Poland holds second place in Europe in terms of the number of students. Almost 1.95 million people in Poland studied at higher and tertiary education facilities in the 2006/2007 academic year. Students account for nearly 55% of all citizens aged 19-24. Approximately one-third of students studied at non-state schools. There were 950,368 full-time students and 991,077 took evening classes and part-time courses. 393,968 graduates completed their studies in 2005/2006 at 448 tertiary education establishments.

29.0% of the higher education facilities are currently state-owned. Poland has 18 universities, 22 technical universities, 95 economics academies, 9 medical academies and 9 agricultural academies.

The main centres of tertiary education are Warsaw, Kraków, Poznań, Łódź, Gdańsk, Toruń, Szczecin and Wrocław. Polish students have a sound knowledge of foreign languages gained at secondary schools. Almost all of them speak communicative English, with 55% achieving at least a good level. 13% have a good knowledge of

German, 17% of Polish students speak Russian, 10% – French and 5% – Spanish.

9.1.5. Doctoral studies

The Act On Academic Titles and Academic Degrees regulating the awarding of academic titles and degrees establishes the following academic ranks (in ascending order):

Graduates of higher education establishments (2005/2006)

Field of education	No. of students (in '000)
Education science and teacher training	59.9
Arts	3.7
Humanities	33.1
Social and behavioural sciences	57.8
Journalism and information	3.7
Business and administration	106.9
Law	8.2
Life sciences	9.2
Physical sciences	6.1
Mathematics and statistics	3.3
Computing	17.2
Engineering and engineering trades	21.3
Manufacturing and processing	8.7
Architecture and building	8.3
Agriculture, forestry and fishery	6.3
Veterinary	0.6
Health	19.0
Social services	0
Personal services	12.9
Transport services	2.3
Environmental protection	4.5
Security services	0.9
Total	393.9

Source: Central Statistical Office, Statistical Yearbook of the Republic of Poland 2007

- the academic degree of doktor (Ph.D.) of a particular academic subject area within a particular academic discipline;
- the academic degree of doktor habilitowany (post-doctoral degree) of a particular academic subject area within a particular academic discipline;
- the title of professor (profesor) of a particular academic subject area.

The title of professor is granted by the President of the Republic of Poland upon the resolution of the Central Commission issued in response to a petition by an academic council of sufficient standing to be entitled to award the degree.

9.2. Special education

Special education is an integral part of the Polish education system. Most children with special educational needs are taught at special schools or in special classes of general access schools (1.4% of all pupils in compulsory education). Pupils may be integrated into general access schools based on positive recommendations by the agencies responsible for diagnosing the type and level of disability and/or the wishes expressed by the child's parents.

9.3. Teachers

Teachers in Poland must have a degree, and the required level of education depends on the level of school in which they wish to teach. For example, in order to teach in primary and lower secondary schools, teachers must hold a bachelor's or master's degree, but in upper secondary and post-secondary schools, they must hold a master's degree. In addition, every teacher must receive teacher training.

Expatriates, diplomats as well as Poles who have returned from abroad have extensive possibilities of providing their children with an appropriate level of education in numerous international schools in Poland. In Warsaw alone there are around twenty of

them, some of them are organised by embassies and some have been established privately. The history of the oldest international school in Warsaw goes back to the beginning of the 20th century (Lycee Francais de Varsovie). International schools satisfy the program requirements of the Polish national education system providing at the same time opportunity to prepare for the International Baccalaureate Diploma. In the period of May and June, schools usually have "open door" time to enable parents to learn more about the schools but of course, if needed, children can be enrolled in the program at almost any time.

9.4. Scientific and R&D institutions

The State Committee for Scientific Research (Komitet Badań Naukowych, KBN) is the main governmental administration authority for scientific policy. The committee plans the state's science policy, sets the direction of scientific research and development and proposes the annual budget for scientific research and development.

Scientific institutions also include tertiary education establishments, R&D institutions, which report to the Chief Council of the Research and Development Institute, Polish international research institutions and the Polish Academy of Sciences.

The Polish Academy of Sciences (Polska Akademia Nauk, PAN) is a state scientific institution that coordinates the cooperation of scientists with scientific bodies. The academy's committees are self-governed units representing their respective scientific disciplines. Activities in various scientific fields are conducted by specialised institutions, such as e.g. the Institute of Physics, Institute of Genetics and Animal Breeding, Institute of Mathematics and Institute of Rural and Agriculture Development.

Roughly 40 foreign investors have located their R&D centres in Poland. They chose Poland because of the availability of highly qualified labour force, the presence of universities, as well as the support of authorities, both on the central and regional level. These foreign-owned R&D centres employ 4,500 people.

10. Human resources

10.1. Employment and the Labour Force

Poland's economically active population aged over 15 years of age in the 4th quarter of 2007 was almost 17 million, which represented 44.6% of the total population. 15.5 million people were employed, of whom 72.5 % (11.24 million) worked in the private sector.

Labour law

The basic source of the labour law in Poland, that is also a base for creating formal structures to protect good labour conditions, is the Labour Code – the Act from 1974 (Journal of Laws 98.90.575 with amendments). Additionally, there are other acts, e.g.: the Act on Specific Rules of Ending an Employment Contract Based on an Employer's Grounds (Journal of Laws 02.112.980), the Act on Labour Unions (Journal of Laws 01.79.854 with amendments), the Act on Employers' Organisations (Journal of Laws 91.55.235). On top of these, there are numerous executive regulations and employer-labour union group agreements which provide better than the minimum, guaranteed by the Labour Code, work conditions.

Pursuant to Art. 18 (4) of the Labour Code, monitoring and reinforcing of the labour law is made by the National Labour Inspectorate (Państwowa Inspekcja Pracy, PIP, www.pip.gov.pl) and pursuant to Art. 18 (5) of the Labour Code the control can be performed also by a community/social inspection which shall act in cooperation with the



National Labour Inspectorate. Pursuant to Act of April 13, 2007 (Journal of Laws May 21, 2007) on the National Labour Inspectorate, the National Labour Inspectorate is the authority supervising and inspecting the observance of labour law in Poland (work health, safety, legality). The National Labour Inspectorate is subordinate to the Lower Chamber of Parliament (Sejm) and its Labour Protection Council. Territorial authorities are given to 16 District Labour Inspectorates in Polish provinces and 42 sub-districts.

Apart from the National Labour Inspectorate, there are also other institutions which pay particular attention to issues of health and safety at work and some of them may organise controlling activities, too:

- Chief Sanitary Inspectorate (Główny Inspektorat Sanitarny Państwowej Inspekcji Sanitarnej - PIS, www.gis.gov.pl);
- State Mining Authority (Wyższy Urząd Górniczy, www.wug.gov.pl);
- National Atomic Energy Agency (Państwowa Agencja Atomistyki, www.paa.gov.pl);

- Office of Technical Inspection (Urząd Dozoru Technicznego, www.udt.gov.pl);
- Central Institute for Labour Protection – National Research Institute (Centralny Instytut Ochrony Pracy – Państwowy Instytut Badawczy, www.ciop.waw.pl);
- Institute of Occupational Medicine (Instytut Medycyny Pracy w Łodzi, www.imp.lodz.pl).

Disputes related to the labour law are usually settled in courts (courts for employment cases). The Labour Code states, however, that parties in a conflict should try to reach agreement before going to court. A worker may then demand a hearing by a reconciliation commission which is created by an employer and a trade union present in that particular company (if it does not exist then an employer creates such a commission after consultations with employees). In a situation when an agreement is not reached, the case is sent to court by the commission or an employee can separately complain to the court about a resulting agreement which hurts him/her. Employment courts operate as departments of district courts and there are no court fees in cases about employees' rights.

Trade unions

Trade unions in Poland can be created and operate using as a base art. 59 of the Constitution and the Act on Trade Unions of 23rd May 1991. Trade unions may gather workers of a company or a greater number of them. Companies' trade unions may create federations and they may join international employees' organisations.

They represent workers individually and as groups. On the state level they may express opinions about legal acts, participate in a group bargaining and sign group agreements. In Tripartite Commission for Socio-Economic issues and its branches they represent employees. They may appeal decisions of the Supreme Administrative Court (Naczelny Sąd Administracyjny) and other organs acting

in the area of the labour law and social insurance.

In Poland there are three central confederations of trade unions:

- Niezależny Samorządny Związek Zawodowy "Solidarność" (NSZZ "Solidarność") created in 1980 (www.solidarnosc.org.pl)- est. 900,000 members;
- Ogólnopolskie Porozumienie Związków Zawodowych (OPZZ) created in 1984 (www.opzz.org.pl) – est. 800,000 members;
- Forum Związków Zawodowych (FZZ) created in 2002 – est. 400,000 members.

Additionally, there are approx. 300 federations of trade unions, about 273 employees' organisations which operate on the national level, almost 24,000 local trade unions, out of which 7000 are local and totally independent from bigger organisations.

Farmers' trade unions have a separate legal entity have:

- Krajowy Związek Rolników, Kółek i Organizacji Rolniczych (www.kolkarolnicze.eu);
- NSZZ Rolników Indywidualnych "Solidarność" (www.solidarnosc.ri.pl);
- Związek Zawodowy Rolnictwa "Samobrona" (www.samoobrona.org.pl).

Currently in Poland, employees in the private sector are mostly not unionised. The public sector with over 3 million employees (data from the end of 2006) is estimated to be more unionised. The phenomenon of the powerful 10 million member Solidarity movement from the beginning of the 1980s has long gone. Nowadays, trade unions are looking for ways to keep and attract new members by, for example, introducing discount cards for its members.

10.2. Unemployment

According to official statistics, in the 1st quarter of 2008, 1,361,000 people were registered as unemployed, of whom 48.5% were women. Unemployment was estimated at 8.2% of the economically active population. The highest rate of unemployment, 10.4%, was registered in the Dolnośląskie voivodeship, and the lowest rates were: 6.2% in the Wielkopolskie voivodeship, 6.9% in Śląskie voivodeship and 7.1% in Pomorskie and Małopolskie voivodeships. Almost 37% of the unemployed lived in rural areas. EU unemployment rate for Poland in May 2008 was 7.5%, comparing to 7.1% for EU (27).

10.3. Salaries

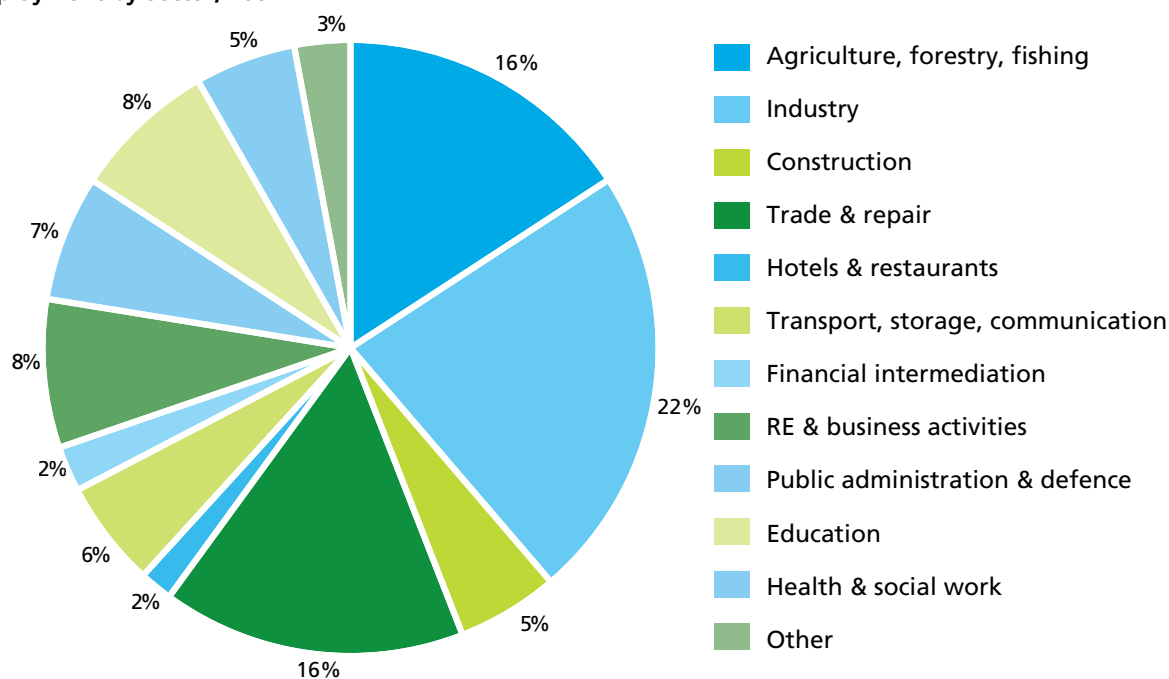
The average gross monthly salary for employees in the private sector in the 1st quarter of 2008 was PLN 3,144.41 (PLN 3047.93 – without annual bonuses from profits). This was 11.4% higher than the year before. Sectors with the highest average gross monthly salaries (in PLN) are presented in the table below.

Private sectors paying the highest average gross monthly salaries in the first quarter of 2008, in PLN

Sector	Salary
Finance	5,868
Mining	5,053
Gas, electricity and water	4,089
Transport, storage and communications	3,257

Source: Central Statistical Office (GUS)

Employment by sector, 2007



Source: Concise Statistical Yearbook of Poland

Sectors with the lowest average gross monthly salaries (in PLN) were as follows:

Economic sectors paying the lowest average gross monthly salaries in the first quarter of 2008, in PLN

Sector	Salary
Trade and repair	2,887
Health and social work	2,848
Manufacturing	2,816
Hotels & Restaurants	2,225

Source: Central Statistical Office (GUS)

Average gross monthly salaries in Poland

Year	In PLN	In USD
1996	874.00	324.24
1997	1,061.93	323.68
1998	1,239.93	354.78
1999	1,697.12	427.76
2000	1,923.81	442.62
2001	2,061.85	513.79
2002	2,133.21	522.91
2003	2,201.21	579.33
2004	2,275.63	623.68
2005	2,401.21	742.54
2006	2,521.15	811.88
2007	2,739.18	989.16

Source: Central Statistical Office (GUS)

11. General macroeconomic indicators

With GDP growth of 6.6% in 2007, Poland's economy is much stronger than the Eurozone (2.6%), and its growth is higher than the average of the 27 EU Member States (2.9%). Poland's growth has been driven to a significant extent by exports, industrial production and investments. Employment is also rising. More detailed information on individual indicators is provided below.

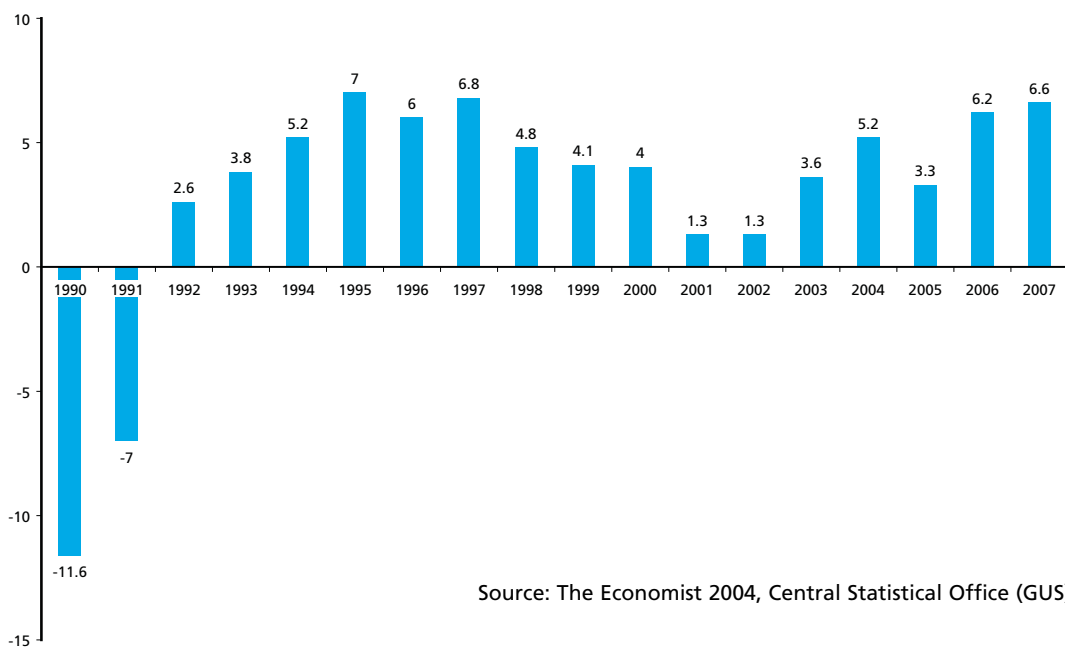
11.1. Gross Domestic Product

The Polish economy expanded rapidly in the mid- to late-1990s. After a slowdown, due mainly to global economic conditions, Poland has almost regained the pace of growth from the second half of the 1990s. In 2007, GDP increased by 6.6%.

Economists forecast that GDP should grow by 5.0 % in 2008.

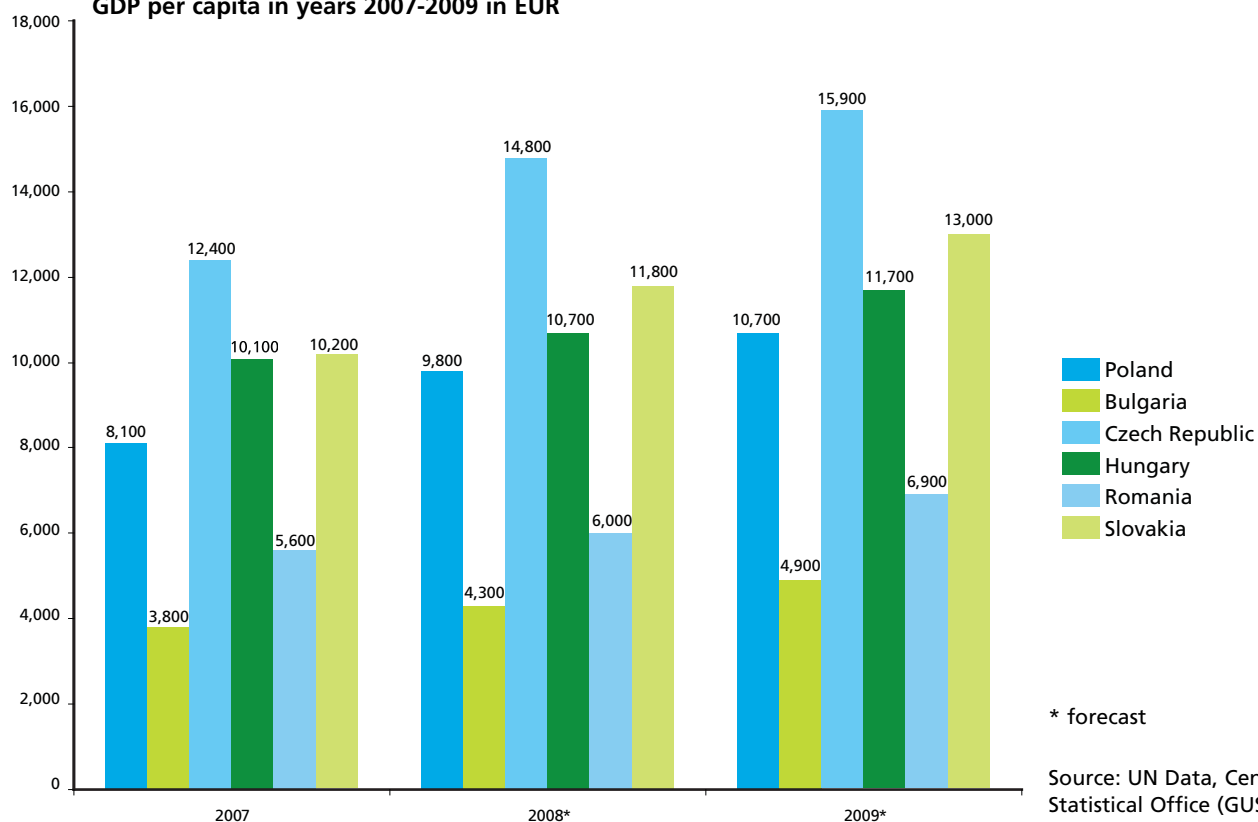
Poland's GDP at current market prices was estimated at, PLN 1,166.7 billion in 2007 (USD 421.3 billion at exch. rate 2.76) (USD 11,050 per capita).

GDP growth in 1990-2007 (%)



Source: The Economist 2004, Central Statistical Office (GUS)

GDP per capita in years 2007-2009 in EUR



Source: UN Data, Central Statistical Office (GUS), PALiZ

11.2. Consumer Price Index

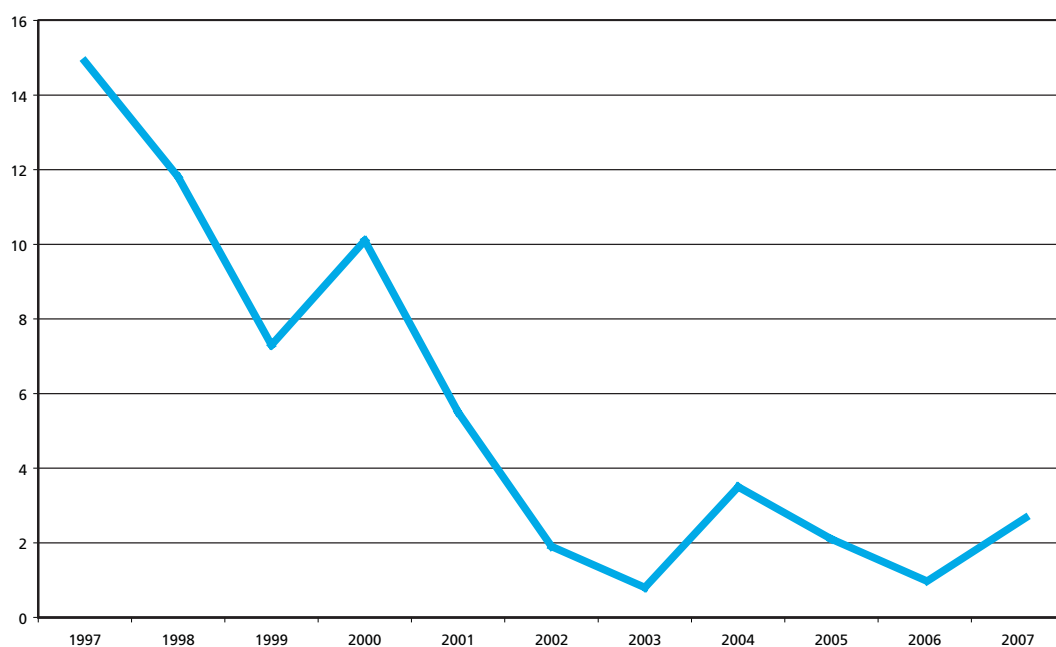
Average annual inflation in May 2008 was 4.4% (2.3% in May 2007).

Consumer Price Index (%)

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
CPI average	14.9	11.8	7.3	10.1	5.5	1.9	0.8	3.5	2.1	1	2.5
CPI year-end	13.2	8.6	9.8	8.5	3.6	0.8	1.7	4.4	0.7	1.4	4

Source: Central Statistical Office

Average annual inflation in 1997-2007



Source: Central Statistical Office

11.3. Foreign trade

According to the National Bank of Poland quarterly data in USD, in 2007 Polish imports reached USD 162 billion and exports USD 138 billion. Compared with 2006 imports grew by 28.9% from USD 125 billion, while exports increased by 25.8% from USD 110 billion. Imports have been rising at a faster rate than exports because of the decreasing competitiveness of Polish goods and the rapid increase in domestic consumption. Poland trades primarily with developed

countries, to which over 83% of all exported goods are directed. In 2006, trade with the EU accounted for 77.4% of all Polish exports and 62.3% of Polish imports. Germany is Poland's largest trading partner accounting for 27.2% of all Polish exports and 23.9% of all imports.

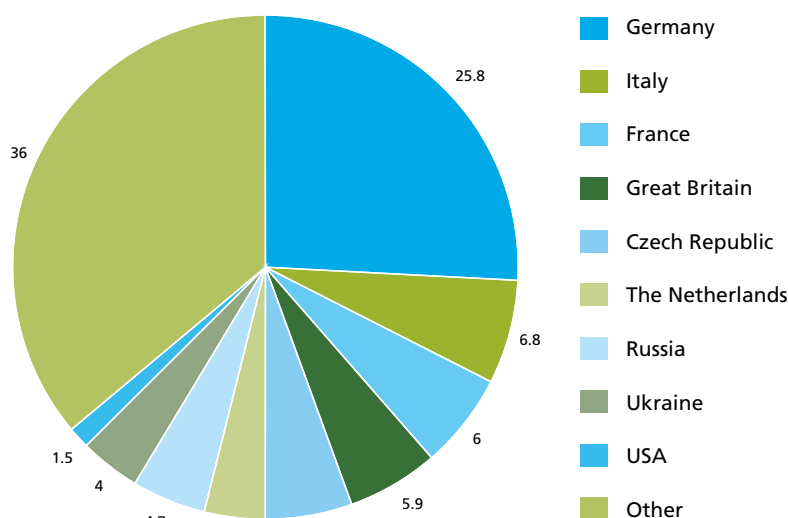
Goods sold to Poland's 10 largest trading partners accounted for 69.04% of the Polish exports.

Structure of Polish exports in 2006

	%	USD million
Prepared food	4.2	4,678
Mineral products	4.8	5,273
Chemical products	5	5,542
Plastics, rubber articles	6.2	6,774
Wood and articles	2.7	2,907
Pulp, paper and articles	2.9	3,178
Textiles and articles	3.6	3,928
Footwear, headgear	0.4	426
Stone, ceramic products	2.3	2,475
Metals and articles	13.1	14,372
Machinery, electrical eq.	23.8	26,112
Transport equipment	17.0	18,644
Optical, measuring instr.	0.8	931

Source: Central Statistical Office, Statistical Yearbook of the Republic of Poland 2007

Poland's main export partners in 2007 (in %)



Source: National Bank of Poland

Exchange rates of the Polish zloty (PLN)

Currency	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1 USD	3.4937	3.9675	4.3464	4.0939	4.0795	3.8889	3.6484	3.2338	3.1053	2.7692
1 EUR	3.9231	4.2270	4.0110	3.6685	3.8557	4.3978	4.5294	4.0254	3.8959	3.7845

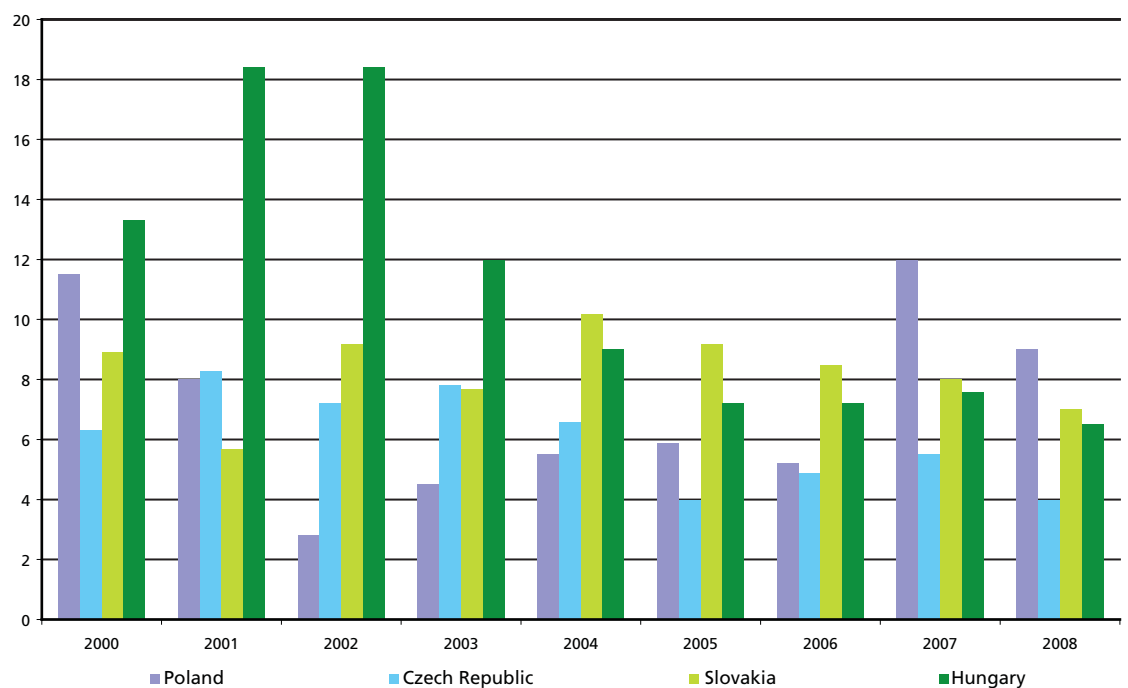
Source: National Bank of Poland

11.4. Local cost effectiveness

According to a survey commissioned by the Polish Information and Foreign Investment Agency (PALIZ), two main reasons for entering Poland cited most commonly by investors are low labour costs and the highly skilled labour force (77% and 74% of responses, respectively). The costs of conducting business in Poland are significantly lower than in Western Europe. The time required to establish a business is according to the World Bank's 2008 data 31 days in Poland.

The graph below illustrates the average nominal growth in salaries in Poland, Slovakia, the Czech Republic and Hungary between 2000 and 2005 and beyond as well as forecasting some developments.

Salaries in Poland have usually increased more slowly than in other CEE countries



Source: EIU, Official countries' statistics, estimates

11.4.1. Labour costs

Since 2001, salaries in Poland have been increasing very slowly because of high unemployment. As a result, the salary level in the Czech Republic and Hungary is now higher than in Poland. The average monthly salary in Poland in 2007 was PLN 2888 (EUR 736). In May 2008 in the private sector, average pay was PLN 3069 (EUR 890). According to Cushman & Wakefield Cities Monitor 2007 survey, Warsaw is one the best capital cities in Europe in terms of staff costs.

11.4.2. Cost of living

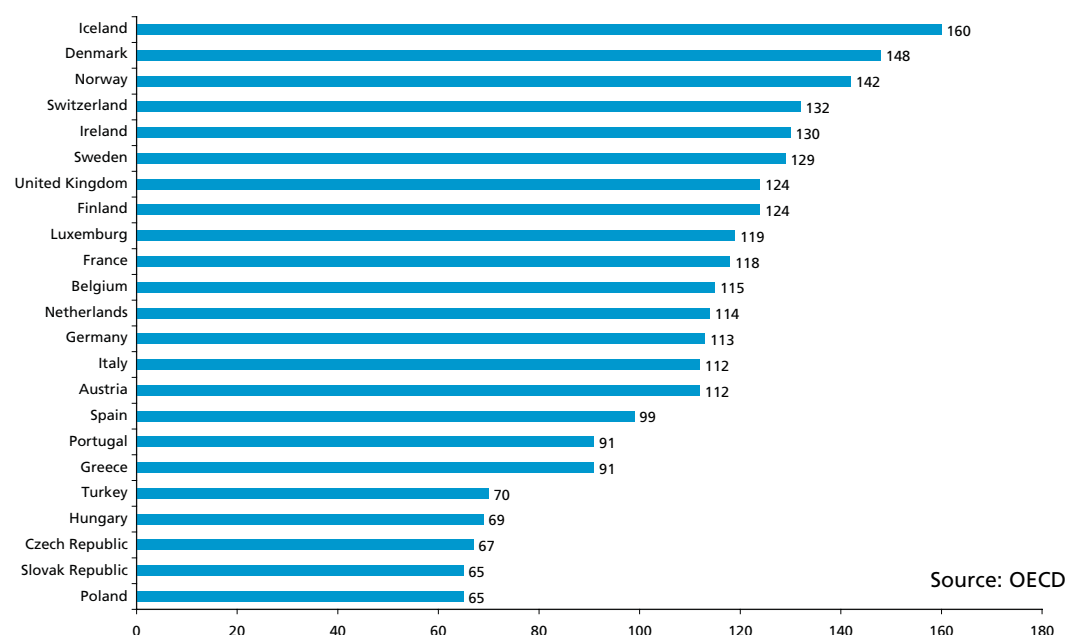
The comparative price level in Poland has a value of 65. That means that such an amount of specified monetary units is needed in Poland to buy the same representative basket of consumer goods and services as in other listed countries.

Best cities in terms of staff costs

	Score
Bucharest	1.38
Warsaw	1.29
Budapest	1.11
Prague	1.01
Lisbon	0.95

Source: European Cities Monitor 2007,
Cushman & Wakefield

Comparative price levels of private consumption in 2007 (ratios of PPP to exchange rates)



11.4.3. Real estate

Renting office space in large cities such as Warsaw, Kraków, Wrocław and Poznań costs between EUR 17 and EUR 30 per sq. m per month. At the beginning of 2008, the average cost of purchasing an apartment in Warsaw was EUR 2,917 per sq. m. and in Kraków EUR 2,550 per sq. m. The average price of a square meter of land has a large spread (EUR 10–300), depending on location and quality of the plot. In large cities such as Warsaw, it can be considerably higher, for example in the centre of the city in one transaction it reached almost EUR 9,000 per sq. m. The average price of arable land in Q4 2007 was EUR 3,040 per hectare.

Best cities in terms of value for money of office space

	2007	2006
Amsterdam	12	19
Barcelona	7	5
Berlin	4	8
Brussels	15	13
Bucharest	2	2
Budapest	5	6
Copenhagen	29	31
Dublin	12	11
Geneva	31	33
Helsinki	26	18
Lisbon	3	2
London	18	28
Madrid	10	12
Moscow	27	25
Paris	16	17
Prague	8	4
Rome	29	30
Vienna	28	26
Warsaw	1	1

Source: Cushman & Wakefield, European Cities Monitor 2007

11.4.4. Energy

The average price of electricity for industry is less than EUR 0.06 per kWh in Poland. The table below shows a comparison of prices between selected EU countries.

Defined for annual consumption of 2000 MWh, maximum demand of 500 kWh and annual load of 4000 hours, electricity prices (without VAT) in EUR/kWh for industrial users (corresponding to prices applicable on 1 January each year)

	2005	2006	2007
Belgium	0.0695	0.0830	0.0880
Bulgaria	0.0429	0.0460	0.0465
Czech Republic	0.0601	0.0731	0.0783
Denmark	0.0646	0.0724	0.0638
Germany	0.0780	0.0871	0.0946
Ireland	0.0896	0.0998	0.1125
Spain	0.0686	0.0721	0.0810
France	0.0533	0.0533	0.0541
Italy	0.0843	0.0934	0.1027
Lithuania	0.0498	0.0498	0.0548
Hungary	0.0701	0.0753	0.0812
Netherlands	0.0806	0.0855	0.0920
Poland	0.0506	0.0543	0.0541
Portugal	0.0713	0.0817	0.0860
Romania	0.0769	0.0773	0.0842
Slovakia	0.0703	0.0773	0.0932
Finland	0.0527	0.0517	0.0542
Sweden	0.0462	0.0587	0.0626
United Kingdom	0.0570	0.0799	0.0950

Source: EUROSTAT

Defined for annual consumption of 41 860 GJ, load factor of 200 days (1,600 hours), natural gas prices (without VAT) in EUR/GJ for industrial users (corresponding to prices applicable on 1 January each year)

	2005	2006	2007
Belgium	5.2700	7.0600	6.8900
Bulgaria	3.7773	4.5020	5.2173
Czech Republic	5.1086	7.3407	6.5632
Denmark	6.0077	6.1651	5.7688
Germany	7.7600	10.4700	12.1500
Spain	4.6832	7.2400	7.0736
France	6.2200	8.0600	7.6300
Italy	6.0940	7.0400	8.4580
Lithuania	3.6058	4.4542	6.0208
Hungary	5.8067	7.9531	9.4769
Netherlands	6.3900	8.1400	8.4000
Poland	5.3047	6.7668	7.5448
Portugal	6.0300	7.6300	7.7600
Romania	3.6785	6.2335	7.3193
Slovakia	5.0813	7.6550	7.9998
Finland	6.4300	7.3200	7.6100
Sweden	8.0795	11.1480	11.0579
United Kingdom	5.8110	8.9172	10.5515

Source: EUROSTAT

12. Poland in the international arena

At midnight on 21st December 2007, entered into the Schengen area completing several years of preparatory work by the public administration, the Border Guard and the Police. This is considered to be the most important event since Poland's accession to the European Union. According to the schedule, Poland had time to adapt the country's international airports to Schengen requirements until the end of March 2008. Apart from Poland, there are eight other new members of the area: Estonia, the Czech Republic,

Lithuania, Hungary, Latvia, Malta, Slovakia and Slovenia.

Citizens of the enlarged Schengen area benefit from quicker and easier travel without border checks. Lifting internal border controls was possible after a process of ensuring that each Member State was equipped to guard external borders and issue visas for the whole Schengen area. The solidarity of the Schengen area countries was expressed by creating the Schengen Facility which provided nearly one billion EUR to new Member States to meet Schengen area membership criteria. The Schengen Information System shares information on people who are wanted, missing, refused entry, as well as on lost and stolen property.

12.1. Poland in the European Union

Poland's geopolitical position induces it to actively participate in international political organisations. Poland has been a member of the Council of Europe, the Central European Initiative and the Visegrad Group since 1991. In 1998, Poland presided over the Organisation for Security and Cooperation in Europe (OSCE), and in 1999, it became a member of NATO.

The rapid development of the country's economy was confirmed by Poland's accession into the World Trade Organisation (WTO) in 1995 and into the Organisation for Economic Cooperation and Development (OECD) in 1996. In 1992, Poland became a founding member of the Central European Free Trade Agreement (CEFTA).

On 19th September 1989, Poland signed the trade and economic cooperation agreement with the European Community. The Association Agreement was signed on 16th December 1991. Poland joined the EU as a full member on 1st May 2004.



12.1.1. Poland's position in the European Union

The Treaty of Accession was signed in Athens on 16th April 2003. The accession referendum took place in Poland on 7th and 8th June 2003. 77.45% of Poles voted in favour of EU membership, with a turnout of 58.85%. 1st May 2004 witnessed the enlargement of the European Union from 15 to 25 member countries, with the 10 new Member States adding 75 million more citizens to the 378 million citizens of the EU. On 1st January 2007, two more states: Bulgaria and Romania joined the EU. Today, the European Union has 27 Member States: Austria, Belgium, Bulgaria, the Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK.

The enlargement is one of the most important opportunities for the European Union. With the exception of Malta and Cyprus, the new Member States are former communist states that have barely a decade of experience of being market economies and experiencing capitalist freedoms. This not only represents a significant moment in the history of the EU, but also in the history of Poland.

12.1.2. Membership criteria

Poland prepared itself methodically to meet the political, economic and legal criteria of EU membership. It has adopted and implemented the body of EU legislation, which comprises more than 20,000 separate treaties, regulations and directives passed by the European institutions, as well as judgments passed by the European Court of Justice. In terms of economic criteria, comprehensive reforms have been undertaken by the Polish authorities to transform the economy. The legal criteria apply to the implementation and enforcement of Community law (Acquis

Communautaire). Poland has achieved a high level of alignment with the Acquis. There are many areas of taxation that fall within the scope of this legislation, even though the new states still have control over direct taxation and the definition of tax rates.

Because of the harmonisation of Polish law with EU standards and increasingly extensive integration with the European economy, Poland has become an even more attractive target for foreign investors.

12.1.3. Intra-Community trade

The EU is Poland's most important trading partner. In 2006, trade within the Community accounted for approximately 77.4% of Polish exports and 62.3 % of Polish imports. The volume of trade between Poland and the other EU Member States exceeded EUR 155 billion in 2007. That same year, the European Union Member States accounted for 78.7% of Polish exports and 63.9% of imports. Six out of Poland's ten largest trading partners are Member States of the EU. In 2007, Germany ranked first among these, with a 25.8% share of exports and 23.9% of imports.

12.1.4. Financial assistance

As a European Union Member State, Poland needs to contribute to the general EU budget but simultaneously it receives back transfers, notably those under the Common Agricultural Policy, the Common Fisheries Policy and cohesion policy.

Poland pays its contribution to the general EU budget at the full amount, i.e. EUR 6 billion in 2004-2006. The first monthly payment was made from the Polish budget to the EU on 4th May 2004. In addition, Poland needs to contribute to separate specific budgets within the EU.

At the same time, Poland is waiting for financial flows from the European Union. The general EU budget envisaged that the commitments to Poland could reach EUR 19.3 billion

in 2004-2006, while payments could amount to EUR 13.5 billion. In 2007-2013, Poland will receive over EUR 67 billion from the EU through structural funds.

Poland became eligible for structural funds as of 1st May 2004. The primary objective of these funds is to provide assistance in reducing the development disparities between regions in order to strengthen economic and social cohesion.

Poland was granted an additional EUR 280 million for 2004-2006 to adjust to the Schengen standards of external border controls (eastern border and international airports). During the period 2004-2006, the whole of the territory of Poland was set to benefit under Objective 1 of the Structural Fund through seven development programs. The overall aim was to promote a knowledge-based economy fuelled by an entrepreneurial spirit in order to favour rapid and sustainable economic growth as a means of overcoming the major challenge of unemployment and ensuring better social cohesion.

Investments were concentrated in four priority areas: growth and employment in the private sector; human resources; infrastructures linked to economic growth and quality of life and improvements to regional development conditions, including rural development. The programs under which this strategy was implemented are the following:

Business competitiveness

The knowledge-based economy and the industrial environment constitute the first priority area, which was aimed at giving Polish industry access to information, R&D and technological innovation, improving and rehabilitating sites where companies could establish operations and improving access to capital for SMEs. As a second priority, direct aid to companies in the private sector (meaning

especially new activities and SMEs) have made companies more competitive on the international market, while creating major employment opportunities.

Human resources

First, the overall level of employment was supposed to be increased through an active labour market and social inclusion policy: prevention of unemployment and the occupational integration of young people, the long-term unemployed, disadvantaged groups and women. The modernisation of public employment agencies was a key element in this priority. The second priority was to develop a knowledge-based society by improving access to a better standard of education and placing an emphasis on equal opportunities and the needs of companies in the face of market fluctuations. Continuous training, distance learning, cooperation between universities and companies, increased administrative capacities, etc. were encouraged.

Transport

The balanced development of various modes of transport was aimed at encouraging competitive alternatives to road transport and improve environmental protection. One aspect was to respond to the urgent need to modernise the rail network, while seaports benefited from measures to promote multi-modal transport.

The second priority was to improve road transport safety – quality motorways, city ring roads and traffic management – and to make it more efficient by means of shorter journeys and a more comprehensive network. The Transport Program was designed to complement the Cohesion Fund projects.

Food sector and rural development

The initial priority applied to changes in primary agricultural production and processing activities: investments in viable farms, help for young farmers in setting up, adaptation

of the agro-foodstuff sector to European standards, training, agricultural advisory services, etc. The second priority was the sustainable development of rural areas through measures related to agricultural re-parcelling, the management of agricultural water, the diversification of economic activities, rural renovation, collective equipment, cultural and natural heritage, etc.

Aid was also allocated to local initiative projects inspired by LEADER+ and to the restoration of forestry damaged by natural disasters.

Fisheries

Four priorities were set here: adjustment of the fishing effort to take account of fish stocks; fleet renovation and modernisation; protection of aquatic resources, development of an aqua-culture, improvements to port installations, processing and marketing activities and product quality; and aid for small-scale coastal fishing, unemployed fishermen and producer groups, etc.

Integrated regional program

The task was to create the conditions for sustainable regional competitiveness in each of Poland's 16 voivodeship by pursuing three priorities: the development and modernization of infrastructure contributing to regional competitiveness (technical infrastructure, entrepreneurship development centre, regional transport, environment, social infrastructures in the area of health, higher education and tourism); the improvement of human resources to meet the specific needs of the regional labour market, through study grants and aid to farmers leaving agriculture, workers affected by restructuring, entrepreneurs, etc.; and local development in the most marginalised areas (including urban areas in crisis), by supporting various local infrastructures, micro businesses, the construction or modernisation of educational establishments, tourism and cultural projects, etc.

The Cohesion Fund

Apart from the structural funds, Poland received additional aid from the Cohesion Fund for infrastructure projects in the area of the environment (drinking water, sewage, water resources and solid waste) and transport (roads, railways, airports and waterways).

EU structural funds 2007-2013

The EU funding scheme for years 2007-2013 has been modified and new programs have been introduced. In 2004 prices, the total budgetary appropriations for this period reach the amount of EUR 864 billion. The current EU budget foresees: support for projects improving competitiveness and innovation, the research spending increased by 75 %, the pre-accession funds streamlined into one instrument, 40% increase in spending for education and training and the environmental instruments combined in a single program.

The funding for 2007-2013 has been structured into five categories:

- pre-accession assistance (funding for candidate and potential candidate countries);
- external assistance (funding for reforms in non-EU countries);
- regional assistance (funding for economic growth and reducing development gaps between EU regions);
- natural resources (funding for agriculture, rural development, environment and fisheries);
- community programs (funding for R&D, competitiveness, innovation, media, education, health, youth, culture).

Funding in the first two categories (pre-accession assistance and external assistance) is not available for current EU Member States.

In the regional assistance category, EUR 308 billion (in 2004 prices) out of the EU budget is available through so called cohesion instruments for job creation and regional growth.

82% of this sum goes towards the “Convergence” objective for the poorest member states and regions, about 16% of the amount is for remaining regions and “Regional Competitiveness and Employment” objective and the rest is directed towards “European Territorial Cooperation” objective. 60% out of the “Convergence” objective amount and 75% out of the “Regional Competitiveness and Employment” objective amount should be spent on projects supporting research and innovation, the information society and sustainable development.

In regional assistance category funding is available through:

- European Regional Development Fund (ERDF) – focus on productive investment, infrastructure, technical assistance, other services to enterprises – available for all 27 EU states;
- European Social Fund (ESF) – focus on increasing adaptability of employees and employers, improving access to employment and participation in the labour market, reinforcing social inclusion, helping disadvantaged people through better access to the labour market – available for all 27 EU states;
- Cohesion Fund (CF, EUR 61.6 billion) – focus on transport and environmental protection infrastructures – available for the EU states with GNP per capita below 90% of EU-average.

In this category there are also initiatives:

- JEREMIE (Joint European Resource for Micro to Medium Enterprises);
- JESSICA (Joint European Support for Sustainable Investment in City Areas);
- JASPERS (Joint Assistance to Support Projects in European Regions);
- Regions for Economic Change.

A significant part of the EU budget is directed towards projects within the natural resources category for attainment of the

common agricultural, fisheries and environmental policies. Funding is available through:

- European Agricultural Guarantee Fund (EAGF);
- European Agricultural Fund for Rural Development (EAFRD);
- European Fisheries Fund (EFF);
- LIFE+ (Financial Instrument for the Environment).

The community programs category has over 20 continued and new programs to support.

For companies, NGOs, public bodies and universities operating in Poland EU funding is available through such programs as:

- Infrastructure and Environment Operating Program (almost EUR 28 billion from ERDF and CF). The goal of the program is to improve investment attractiveness of Poland through development of the technical infrastructure while protecting and improving environment, health, culture and the territorial cohesion.
- Human Capital Operating Program (EUR 9,7 billion from the EFS). The major goal of the program is to increase employment and social cohesion.
- Innovative Economy Operating Program (EUR 8.3 billion from ERDF). The goal of the program is supporting innovation in business, business related institutions and R&D centres.
- Development of the East of Poland Operating Program (EUR 2.2 billion from ERDF). The goal of the program is to speed up the process of development of the five eastern voivodeship.
- Programs for Voivodeship (16 programs, EUR 15.9 billion). The goal of these programs is to support development and cohesion of all the 16 voivodeship.
- Territorial Cooperation Programs (EUR 557.7 million). The goal of these programs is to improve trans-border and regional cooperation within EU.

- Technical Assistance Operating Program (EUR 516.7 million). The goal of the program is to give technical support in implementation of operating programs.

For the attainment of the common agricultural, fisheries and environmental policies funding to Poland comes from EAFRD and EFF for such programs as:

- Development of Rural Areas Program – (EUR 13.2 billion);
- Balanced Development of the Fisheries and Coastal Areas (EUR 0.7 billion).

12.2. Poland in the Single Market

Upon accession to the European Union, Poland became part of the Single European Market, with the free movement of goods, services, people and capital.

12.2.1. Freedom of movement of people

The following people have the right to enter and leave the territory of the Member States simply by producing an identity card or passport, without the need for an entry visa or equivalent:

- nationals of a Member State who are established or who wish to establish themselves in another Member State in order to pursue activities as self-employed persons, or who wish to provide services in that state;
- nationals of Member States wishing to go to another Member State as recipients of services;
- the spouse and children under 21 years of age of such nationals, irrespective of their nationality;
- the ascendant and descendant relatives of such nationals and of the spouse of such nationals, if the relatives are dependent on these nationals, irrespective of their nationality.

With respect to the principle of the free movement of persons, the *Acquis Communautaire* covers four areas:



- Mutual recognition of professional qualifications – the European Community intends to eliminate obstacles to the performance of regulated professions, accepting the principle that a person fully qualified to practice a regulated profession in one Member State should be entitled to do so anywhere within the European Community.
- Citizens' rights – including voting rights (i.e. rights of all European Union citizens to participate actively in the political life of the European Union through European and municipal elections) and the right of residence (originally foreseen only for workers, but subsequently extended to cover non-active persons).
- Free movement of workers – within the scope of which the Member States are obliged to ensure that all their legal provisions, in particular those related to criteria on citizenship, residence or linguistic ability, are in full conformity with the *Acquis Communautaire*.
- Coordination of social security schemes – governed by regulations and therefore directly applicable to the Member States. The principles of such coordination consist of ensuring that those who exercise their right to the freedom of movement throughout the European Community should not be penalised as a result in terms of protection of their social security.

Freedom of movement for workers, which is a fundamental aspect of the freedom of movement for persons and of the internal market, allows the nationals of any Member

State to work in another Member State under the same conditions as nationals of that state. However, following the enlargement of the European Union on 1st May 2004, the freedom of movement of workers from, to and between the new Member States has been somewhat restricted.

The important components of the transition arrangements related to the free movement of workers from Poland into the old Member States are based on the 2+3+2 scheme, i.e.:

- During an initial two-year period, the EU-15 Member States must apply their national law or any bilateral agreements concluded with the new Member States under the Community law. This means that, in most cases, workers from the new Member States still needed a work permit in order to gain access to the EU-15 labour market.
- New Member States are able to impose reciprocal restrictions on workers from the EU-15 Member States that have adopted such measures.
- In 2006, the Commission planned to draw up a report that the Council shall use to examine the functioning of the transitional provisions. Moreover, each of the EU-15 Member States needed to give the Commission formal notice of its intention either to apply the Community law in full, together with its principle of the freedom of movement for workers, or to maintain the restrictive measures for a maximum of three more years.
- In 2009, the EU-15 Member States will only be able to extend the restrictive measures for a period of two years, if they observe a major disruption on their labour markets, or a threat of such disruption.
- The end of the seven-year transitional period will bring about the complete freedom of movement for workers who are Community nationals in the enlarged European Union.

12.2.2. Freedom of movement of capital

Freedom of movement of capital constitutes one of the foundations of the common market. Article 56 of the EC Treaty prohibits any restrictions on the movement of capital between Member States. This article is directly applicable and all the Member States enjoy full freedom of capital movements and payments.

The freedom of movement of capital includes payments and transfers of money across borders, as well as other transactions allowing the transfer of ownership of assets and liabilities (such as investments in companies and real estate or portfolio investments). In particular, it allows for the free transfer of profits from one country to another and the right to invest and purchase tangible and financial assets abroad without restriction.

Poland was granted two transition periods for maintaining its national legislation with respect to real estate acquisitions:

- a five-year transition period for the acquisition of "second houses" by foreigners;
- a twelve-year period for the purchase of agricultural land and forests.

12.2.3. Freedom of movement of goods

Articles 28 to 30 of the EC Treaty establish the principle of the free movement of goods. Member States may not maintain or impose barriers to trade, except in special circumstances. The goods that may be legally sold on the market of one Member State may be also sold in all other Member States.

Therefore, the authorities of the destination Member States will acknowledge the standards to which the product conforms in the Member State of origin: this is referred to as the principle of mutual recognition.

Measures were adopted that provide for and govern such aspects as basic technical

standards, product certification and metrological definitions in order to ensure the free movement of goods within the European Union. Since there are goods for which common harmonized standards have been introduced on the basis of directives, rules, etc., and goods for which there are no harmonized standards, the *Acquis Communautaire* is usually divided into harmonised and non-harmonised areas with respect to the free movement of goods.

In accordance with the so-called 'golden rule' of European legislation, the principle of the free movement of goods applies in the event that there is no specific harmonization regulation in a given area. The new approach to the European product law is based on the principle of self-certification and the presumption of conformity to harmonised standards.

The old approach directives still apply to certain product groups (e.g. pharmaceuticals, foodstuffs and motor vehicles).

The European Union has accepted two transitional arrangements for Poland:

- for the renewal of marketing authorisation for pharmaceuticals up to 31st December 2008;
- for the validity of licenses for medical devices issued under Polish legislation up to 31st December 2005.

Goods crossing the Community's internal borders have not been subject to controls since 1st January 1993. The free movement of goods within the Community presupposes:

- the prohibition of setting customs duties and charges with equivalent effects between Member States;
- the adoption of a common customs tariff for trade between Member States and third countries;
- the prohibition of any quantitative restrictions or measures having an equivalent effect;

- the prohibition of discrimination by state monopolies.

These general arrangements apply to all products but are covered by special rules for certain products the movement, control or marketing of which is (for various reasons) subject to specific procedures. Most of the special rules are for agricultural products (animals, meat, plants and seeds, etc.), where there is still a need to protect animal, plant and human health. In general, agricultural products are still subject to the common organisations of the market, which were reformed in 1992 so as to eliminate all arrangements based on border controls (for milk, cereals and refined sugar, etc.).

The abolition of controls at internal borders presupposes that the external borders are administered consistently and in the "Community spirit". Officials responsible for conducting the controls are required to act on behalf of all national authorities and in the interest of all firms and consumers in the Community. In 1994, the Community Customs Code established a common legal framework for customs controls, supplemented by special measures in the fields of veterinary medicine and plant health, cultural goods, pharmaceuticals and psychotropic drugs, international trade in protected species and the battle against counterfeiting.

12.2.4. *Freedom of movement of services*

According to the provisions of the European Agreement on the movement of services between the Community and Poland, all parties shall gradually introduce legal solutions allowing economic agents from Poland or the Community to provide services without the need to establish companies in the recipient country.

Poland retained the right to protect its interests in the area of purchasing national assets that are subject to privatisation up to the end

of the transition period (2004). The most important areas to be protected were:

- ownership, usage, sale and lease of real estate;
- transactional operations and agency services in real estate trading, as well as in the trading of natural resources and related activities;
- legal services.

The advantages and disadvantages of Poland's accession into the EU with respect to market services (transport, tourism, banking, distribution services, communications and others), include the following aspects:

- Poland's inclusion among the EU Member States favourably affects the competitiveness of Polish service providers.
- Sectors of the Polish economy that used to be protected against free competition (telecommunications, banking and insurance services and air transportation) need to open up to international competition. Domestic companies that are financially weak may be edged out of the market by foreign competitors.
- Access by Polish service companies to the EU service market (e.g. export of construction services, which has been limited) creates the opportunity to leverage the relative cost efficiencies of Polish firms (related to lower labour costs) even in the fields of professional services.

Every Member State should grant the right of permanent residence to nationals of other Member States who establish themselves within their territory in order to pursue activities as self-employed persons when the restrictions on these activities have been abolished. A "residence permit for a national of a Member State of the European Communities" is issued for this purpose.

12.3. Poland and the Monetary Union

Poland is not a member of the Economic and Monetary Union (EMU). However, the accession to the European Union paves the way for Poland to start preparations for accession to the Eurozone, which is the next stage of economic integration. The exact moment for the adoption of the euro has not yet been set.



Membership of the EMU is conditional upon the fulfilment of the Maastricht criteria of economic convergence and after at least two years of participation in the Exchange Rate Mechanism. The Maastricht criteria include fiscal criteria, which apply to the general government deficit and public debt, as well as monetary criteria, which refer to price stability, the level of long-term interest rates and exchange rate stability.

The Maastricht convergence criteria are not only a formal requirement for Poland's participation in the Eurozone, but also the basis for a sound macroeconomic stance, creating conditions that are conducive to long-term economic growth. Thus, meeting the criteria both opens the way to the euro and is beneficial to growth.

Poland satisfied the inflation, long-term interest rate and public debt criteria in

November 2003. The fulfilment of the general government deficit criterion requires the implementation of comprehensive reforms reducing public spending and increasing the efficiency of management of public finance. The exchange rate criterion can only be fulfilled after Poland has entered ERM II. Meeting this criterion will depend on the implementation of a credible macroeconomic policy.

The decision on the acceptance of Poland as a member of the common currency area will be made by the ECOFIN Council and will be based on the conclusions of Convergence Reports prepared by the European Commission and the European Central Bank (ECB). These reports will contain an assessment of the level to which the Polish economy is ready for membership of the monetary union.

Participation in the EMU could have the following implications for Poland:

- a reduction in the costs of economic exchange as a result of the use of the euro in all transactions;
- a reduction in the costs of the internal financial management of enterprises;
- a reduction in foreign exchange exposure, as well as the costs of conducting business activities and a reduction in the related reserve levels;
- a reduction in the levels of interest rates;
- strengthening of macroeconomic stability, as a result of keeping stricter discipline with new monetary institutions;
- an increase in stability, which will be related to the improvement in production conditions.

Following accession to the Economic and Monetary Union, Polish manufacturers, investors, exporters and importers will avoid the costs of hedging against exchange rate fluctuations, as they will no longer be

exposed to foreign exchange risk. Small and medium-sized enterprises will gain cheaper access to sources of information on conditions prevailing on the market and the possibilities of development.

Citizens will receive their income in euro, which will enable them to make their payments in Poland and abroad without the cost of currency conversion.

12.4. Other international organisations

12.4.1. Poland in the EU – OECD

The Organisation for Economic Cooperation and Development was established by the Paris Agreement on 14th December 1960. The OECD groups 30 Member States and maintains active relations with 70 other countries in order to develop democracy and market economies.

The OECD is primarily a coordinating and opinion-forming organisation which provides a forum for the exchange of information and experience, as well as a centre for research into the economies of member countries. It is also a primary forum for the discussion of economic and social issues and is frequently consulted by the UN, the WTO and G-7. Poland signed a draft agreement with OECD in June 1991 and officially became a member of the Organisation on 22nd November 1996. Membership of the OECD makes it easier for Poland to gain access to preferential credit facilities granted by international financial institutions. Poland also has unrestricted access to information in the Organisation's numerous databases, including publications and statistics. The OECD online database provides large volumes of information, together with economic analyses on each member country, which are available to the public. Poland can also benefit from the joint programs created by the OECD in cooperation with such organisations as Sigma, which offer

support in improving governance and management in Central and Eastern European countries, financed by the European Union. In addition, as a member of OECD, Poland takes part in the Environmental Action Program for Central and Eastern Europe (EAP).

12.4.2. WTO

The World Trade Organisation was established on 1st January 1995. It is an international organisation which in July 2008 associated 153 countries. The main aim of the WTO is to serve as a guardian of treaties and trade agreements, monitoring national trade policies and settling disputes among members. The WTO also offers aid to developing countries.

The success of the WTO is reflected in the security of trade and high quality of products in the Member States. Customers are offered a wide range of quality products, which are tested by international centres, and exporters have the assurance that the markets of the member countries will remain open to them.

By reducing tariffs, the WTO has eliminated many barriers between countries and people. The rules of the WTO (contained in agreements and contracts) are the result of negotiations among the WTO members. The core document is the General Agreement on Tariffs and Trade (GATT). GATT consists of 60 agreements which were signed individually in specific areas by each Member State.

12.4.3. NATO

The North Atlantic Treaty Organization (NATO), a political and military organisation, emerged as a result of the signature of the Treaty of Washington on 4th April 1949. The signatory countries were: USA, Canada, Belgium, Denmark, France, Holland, Iceland, Luxemburg, Norway, Portugal, the United Kingdom and Italy. The Treaty of Washington brought a common security system into being, which was based on partnership between the 12 signatory countries. NATO currently consists of 26 countries. The North Atlantic Alliance was founded under a Treaty between the Member States, which was entered into freely by each of them after a public debate and the due parliamentary process. The Treaty upholds their individual rights, as well as their international obligations, in accordance with the Charter of the United Nations. It obligates each Member State to share the risks and responsibilities, as well as the benefits, of collective security and requires that each of them undertakes not to enter into any other international commitment that might conflict with the Treaty.

More than half a century has elapsed since the Alliance was established. For much of this time, NATO's central focus to provide for the immediate defence and security of its Member States. The Czech Republic, Hungary and Poland are the first countries representing the "old" Warsaw Pact, which joined NATO on 12th March 1999. Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia followed in 2004.

V. Sources of information

1. Polish Information and Foreign Investment Agency (PAIiZ)

Foreign investors considering investing in Poland may take advantage of the assistance of the Polish Information and Foreign Investment Agency ("PAIiZ").

PAIiZ, a specialised investment agency, was established in 2003 as a result of a merger of the Polish Agency for Foreign Investment and the Polish Information Agency. PAIiZ's activities include: increasing the inflow of foreign direct investments to Poland, encouraging foreign businesses to invest in Poland, advisory services at each stage of the investment process, assistance in the interpretation of legal procedures and regulations, the provision of full access to the economic and legal investment environment, as well as assistance in the selection of attractive investment locations.

PAIiZ offers investors the services of its best specialists in investor support, regional cooperation and economic promotion. The Foreign Investment Department provides direct assistance to businesses interested in investing in Poland. Project managers assist investors at each stage of the investment planning and execution process. The professional assistance enables effective and fast implementation of business strategies.

The range of the Agency's services includes:

- the search for appropriate locations to meet the criteria specified by investors;
- the provision of the required statistical, economic and legal data for preparing feasibility studies and making final investment decisions;
- the organisation of visits in Poland (assisting visitors);
- the preparation of individual investment packages in cooperation with the European Commission;
- post-investment assistance (trouble-shooting at further stages of business activity in Poland).

PAIiZ operates in accordance with the "third generation agency" regulations, according to the operational strategy adopted in 2008.

The main aim of the model is to reach investors at the sector level in order to obtain more information on various sector investment needs and to meet their specific requirements. A detailed analysis of investment strategies of leading businesses in a given branch enables the design of investment proposals with the purpose of satisfying investor needs.

The sector strategy adopted by the agency has enabled the selection of strategic sectors considered most important in the development of Polish economy. Investors representing such sectors are a priority to PAIiZ.

Strategic sectors have been selected using the following criteria:

1. increasing value added created by a given sector and comprising:
 - the introduction of advanced technologies;
 - manufacturing of modern and competitive products;
 - the introduction of advanced services;
 - the development of modern infrastructure;
2. job creation;
3. involvement of local suppliers;
4. increasing Poland's export potential.

Using the above preferences, the following sections were distinguished within the Foreign Investment Department:

Manufacturing, Shared Services, Centres/BPO, Public Aid and Far East section. The agency's legal section supports the department and takes part in investment projects.

The Economic Information Department is responsible for developing and running the economic information system within the agency. The Department is also responsible for preparing economic and sector analyses for internal use and according to the needs

of investors. Databases of foreign companies, as well as of Polish suppliers, are also prepared by the department's team.

The main tasks of the Regional Cooperation Department include the coordination of cooperation between foreign investors and the authorities of the region in which the investment is planned and support to local authorities in the professional preparation of investment proposals.

The goal of the Regional Cooperation Department is also to maintain and develop further an effective nationwide network of Investor Assistance Centres (Centrum Obsługi Inwestorów, COI) – partners of PAIIZ supporting the investment process at a regional level. The network of COIs is being built in cooperation with the authorities of the individual regions. The centres operate as "one-stop shops". COIs offer investors comprehensive services at voivodeship level, including post-investment assistance. They provide continuously updated investment proposal packages, as well as macroeconomic and legal information and liaison between investors and local authorities.

The Regional Investor Assistance Centres have gradually been taking over the comprehensive support of smaller investment projects from PAIIZ, guiding investors through the respective procedures and offering them advice.

The Economic Promotion Department propagates abroad the benefits of investing in Poland. The Department's employees present the advantages of investing in Poland at fairs and exhibitions, participate in international conferences and seminars and organize investment missions to strategic countries in order to attract foreign direct investments to Poland.

Foreign businesses interested in investing in Poland are offered an extensive range of

comprehensive information on Poland, its investment climate, economic and legal environment and the procedures required to complete the investment. PAIIZ offers access to an investment locations database. This information is available through:

www.paiz.gov.pl, in books and multimedia publications, such as "How To Do Business – Investors' Guide Poland", "Why Poland", "Poland in Brief", "Poland – what makes it a Business Hot Spot?", The Economic Promotion Department also organises investment conferences and seminars, in Poland, visits for foreign journalists dealing with economic issues and, in cooperation, with the Polish media, provides information to the media on the achievements of foreign investors in Poland, thereby positively stimulating social acceptance of foreign investments.

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VI. Appendices

Appendix 1. Selection of foreign direct investment by country

	Investor name	Country of registration	Country of origin	Activities (class)
1	Amcor Ltd	Australia	Australia	Manufacture of articles of paper and paperboard
2	Erste Bank	Austria	Austria	Activities auxiliary to financial intermediation, except insurance and pension funding
3	KBC Bank N.V.	Belgium	Belgium	Insurance and pension funding, except compulsory social security; Monetary intermediation
4	Bombardier Transportation	Canada	Canada	Manufacture of other transport equipment n.e.c.
5	Pratt & Whitney Canada	Canada	Canada	Manufacture of aircraft and spacecraft
6	Sino Frontier Properties Ltd.	China	China	Building of complete constructions or parts thereof; civil engineering
7	Carlsberg Breweries A/S	Denmark	Denmark	Manufacture of beverages
8	Statoil	Denmark	Norway	Retail sale of automotive fuel
9	Stora Enso Oyj	Finland	Finland	Manufacture of pulp, paper and paperboard; manufacture of articles of paper and paperboard
10	France Telecom	France	France	Telecommunications
11	Saint-Gobain	France	France	Manufacture of other non-metallic mineral products; manufacture of glass and glass products
12	Sanofi-Synthelabo S.A.	France	France	Manufacture of pharmaceuticals, medicinal chemicals and botanical products
13	Thomson Tubes and Displays S.A.	France	India	Manufacture of television and radio receivers, sound or video recording or reproducing apparatus and associated goods

Investor name	Country of registration	Country of origin	Activities (class)
14 Vivendi Universal	France	France	Telecommunications; Legal, accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy; holdings; Sale of motor vehicles
15 BASF AG	Germany	Germany	Manufacture of pharmaceuticals, medicinal chemicals and botanical products
16 Bayer AG	Germany	Germany	Manufacture of chemicals and chemical products
17 British American Tobacco GmbH	Germany	UK/USA	Manufacture of tobacco products
18 DBT GmbH	Germany	Germany	Manufacture of other special purpose machinery
19 DeTeMobil	Germany	Germany	Telecommunications
20 Deutsche Bank AG	Germany	Germany	Monetary intermediation
21 IBM Central Holding GmbH	Germany	USA	Manufacture of office machinery and computers
22 Metro Group AG	Germany	Germany	Wholesale trade and commission trade, except of motor vehicles and motorcycles; retail trade, except of motor vehicles and motorcycles; repair of personal and household goods
23 Robert Bosch GmbH	Germany	Germany	Manufacture of parts and accessories for motor vehicles and their engines
24 Volkswagen AG	Germany	Germany	Insurance and pension funding, except compulsory social security; other financial intermediation; monetary intermediation; manufacture of parts and accessories for motor vehicles and their engines
25 European Bank for Reconstruction and Development (EBRD)	International	International	Monetary intermediation

Investor name	Country of registration	Country of origin	Activities (class)
26 Fiat	Italy	Italy	Insurance and pension funding, except compulsory social security; other financial intermediation; monetary intermediation; manufacture of motor vehicles
27 Indesit Company	Italy	Italy	Manufacture of domestic appliances n.e.c.
28 Whirlpool Europe Srl	Italy	USA	Manufacture of domestic appliances n.e.c.
29 Bridgestone Corporation	Japan	Japan	Manufacture of rubber products
30 DENSO	Japan	Japan	Manufacture of parts and accessories for motor vehicles and their engines
31 Sharp Corporation	Japan	Japan	Manufacture of television and radio receivers, sound or video recording or reproducing apparatus and associated goods
32 Toyota Boshoku	Japan	Japan	Manufacture of parts and accessories for motor vehicles and their engines
33 Terravita Holding Establishment	Lichtenstein	Lichtenstein	Manufacture of other food products
34 Arcelor	Luxembourg	Luxembourg	Manufacture of basic iron and steel and of ferro-alloys
35 Cemex	Mexico	Mexico	Manufacture of cement, lime and plaster
36 Hydro Central Europe B.V	Norway	Norway	Manufacture of basic precious and non-ferrous metals; wholesale of non-agricultural intermediate products, waste and scrap
37 Jerónimo Martins Holding	Portugal	Portugal	Retail sale in non-specialized stores
38 OAO Gazprom	Russia	Russia	Transport via pipelines

Investor name	Country of registration	Country of origin	Activities (class)
39 Daewoo Electronics CO Ltd	South Korea	South Korea	Insurance and pension funding, except compulsory social security; Manufacture of television and radio receivers, sound or video recording or reproducing apparatus and associated goods
40 LG CHEM LTD	South Korea	South Korea	Manufacture of electronic valves and tubes and other electronic components
41 LG Electronics Inc	South Korea	South Korea	Other retail sale of new goods in specialized stores; Manufacture of radio, television and communication equipment and apparatus
42 LG INNOTEK CO LTD	South Korea	South Korea	Manufacture of electronic valves and tubes and other electronic components
43 LG International	South Korea	South Korea	Manufacture of basic chemicals
44 LG PHILIPS LCD CO LTD	South Korea	South Korea	Retail sale of electrical household appliances and radio and television goods
45 Banco Santander Central Hispano	Spain	Spain	Post and courier activities
46 Fagor Electrodomesticos	Spain	Spain	Manufacture of domestic appliances n.e.c.
47 Electrolux AB	Sweden	Sweden	Manufacture of domestic appliances n.e.c.
48 IKEA	Sweden	Sweden	Other retail sale of new goods in specialized stores
49 Skanska Kraft AB	Sweden	Sweden	Building of complete constructions or parts thereof; civil engineering
50 Vattenfall AB	Sweden	Sweden	Production and distribution of electricity; Steam and hot water supply
51 Nestlé S.A.	Switzerland	Switzerland	Manufacture of other food products; Manufacture of beverages
52 Basell Europe Holdings NV	The Netherlands	The Netherlands	Manufacture of basic chemicals

	Investor name	Country of registration	Country of origin	Activities (class)
53	BP International B.V.	The Netherlands	United Kingdom	Retail sale of automotive fuel
54	GTC International	The Netherlands	The Netherlands	Real estate activities with own property
55	ING Group NV	The Netherlands	The Netherlands	Monetary intermediation; Insurance and pension funding, except compulsory social security
56	LG PHILIPS. DISPLAYS HOLDING B.V	The Netherlands	The Netherlands	Manufacture of non-refractory ceramic goods other than for construction purposes; manufacture of refractory ceramic products
57	Shell Gas (LPG) Holdings	The Netherlands	The Netherlands	Wholesale of non-agricultural intermediate products, waste and scrap
58	DONBAS ISD	Ukraine	Ukraine	Manufacture of basic iron and steel and of ferro-alloys
59	Cadbury	UK	UK	Manufacture of other food products
60	Gerber Foods Holdings Ltd	UK	UK	Processing and preserving of fruit and vegetables
61	Glaxo SmithKline	UK	UK	Manufacture of pharmaceuticals, medicinal chemicals and botanical products
62	NSK Europe Limited	UK	Japan	Manufacture of machinery for the production and use of mechanical power, except aircraft, vehicle and cycle engines
63	Panasonic Europe LTD	UK	Japan	Manufacture of accumulators, primary cells and primary batteries
64	Sumitomo Electric Wiring System Europe Ltd.	UK	Japan	Manufacture of electrical equipment n.e.c.
65	Citigroup	USA	USA	Monetary intermediation; other financial intermediation
66	Colgate-Palmolive America INC	USA	USA	Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations
67	Delphi Automotive Systems	USA	USA	Manufacture of parts and accessories for motor vehicles and their engines

	Investor name	Country of registration	Country of origin	Activities (class)
68	General Electric Corporation (GE)	USA	USA	Monetary intermediation; manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process control equipment
69	General Motors Corporation	USA	USA	Manufacture of motor vehicles
70	Gillette	USA	USA	Miscellaneous manufacturing n.e.c.
71	Intel Europe Inc.	USA	USA	Computer and related activities
72	Motorola Inc.	USA	USA	Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy
73	TRW AUTO. HOLDINGS INC	USA	USA	Manufacture of parts and accessories for motor vehicles and their engines

Appendix 2. International schools in Poland

Wrocław (Lower Silesia)

Wrocław International School

ul. Zielińskiego 38, 53-534 Wrocław
tel. +48 71 782 26 26,
email: wis@fem.org.pl

International School Ekola

ul. Zielińskiego 56, 53-534 Wrocław
tel./fax +48 71 361 43 70,
email: ise@ekola.edu.pl

The Polish German Primary School – CeKiRON

ul. Wejherowska 28, 54-239 Wrocław
tel. +48 71 798 26 00, fax +48 71 798 26 01
email: diakonia@diakonia.pl

Katowice (Upper Silesia)

Complex of Silesian International Schools

ul. Wincentego Witosa 18, 40-832 Katowice
tel. +48 32 254 91 94
email: info@international.edu.pl

Łódź

British International School

ul. Sterlinga 26, 90-212 Łódź
tel. +48 42 631 59 23, fax +48 42 631 59 23
email: ipsit@ipt.pl

Kraków (Lesser Poland)

American International School of Cracow

Lusina ul. Św. Floriana 57, 30-698 Kraków
tel./fax (8 am - 4 pm), tel. +48 12 270 14 09
email: director@iskonline.org

British International School of Cracow

ul. Smoleńsk 25, 31-108 Kraków
tel. +48 12 292 64 78
email: school@bisc.krakow.pl

Warsaw (Mazovia)

International American School of Warsaw

ul. Dembego 18, 02-796 Warsaw
tel. +48 22 649 14 40, 22 649 14 42
fax +48 22 649 14 45

Meridian International Schools

Primary School

ul. Wawelska 66/74, 02-034 Warsaw
tel. +48 22 822 15 75, 22 822 16 07
fax +48 22 822 20 13
email: infoprimary@meridian.edu.pl

Middle & High School

ul. Radarowa 6, 02-137, Warsaw - Włochy
tel. +48 22 868 25 03, 22 868 25 06
fax +48 22 868 25 09
email: infomiddle@meridian.edu.pl,
infohigh@meridian.edu.pl

The British School

ul. Limanowskiego 15, 02-943 Warsaw
tel. +48 22 842 32 81
fax +48 22 842 32 65
email: british@thebritishschool.pl

Lycee Francais de Varsovie

ul. Walecznych 4/6, 03-916 Warsaw
tel. +48 22 616 54 00
fax +48 22 616 53 99
email: info@lfrv.pl

Canadian Primary School of Warsaw

ul. Bełska 7, 02 - 638 Warsaw
tel. +48 22 646 92 89
tel./fax +48 22 646 92 88

International European School – Warsaw

ul. Wiertnicza 75, 02-952 Warsaw
tel/fax +48 22 842 44 48
email: ies@ies-warsaw.pl

European Bilingual Preschool

ul. Chłapowskiego 2, 02-787 Warsaw
tel./fax +48 22 644 15 14

International Preschool

ul. Zawrat 14, 02-669 Warsaw
tel./fax +48 22 843 09 64
email: preschool@preschool.pl

"In the hundred mile long forest" (W stumilowym lesie) day care centre

ul. Naprzetaj 5a, 03-092 Warsaw
tel. +48 22 676 68 91
email: kontakt@wstumilowymlesie.pl

World Hill Academy

ul. Okrężna 83, 02-933 Warsaw
tel. +48 22 858 31 91

Ecole Antoine de Saint-Exupery

ul. Nobla 16, 03-930 Warsaw
tel. +48 22 616-14-99
email: info@saint-exupery.pl

Happy Montessori House - International Preschool

ul. Rumiana 14, 02-956 Warsaw
tel. +48 22 427 37 67
mobile +48 697 06 05 04
email: hmh@hnh.com.pl

"La Fontaine" French-Polish Kindergarten and Primary School

ul. Rolna 177, 02-729 Warsaw
tel. +48 22 843 42 41
mobile +48 502 062 104, +48 602 221 521
fax +48 22 843 42 41

Gdańsk (Pomerania)**High School No. 3**

ul. Topolowa 7, 80-255 Gdańsk
tel./fax 341-06-71
email: sekretariat@topolowka.pl

British International School

ul. Zielony Trójkąt 1, 80-869 Gdańsk
tel. +48 583 422 600,
fax +48 583 422 601
email: director@bis-gdansk.pl

Gdynia (Pomerania)**High School No. 3**

ul. Legionów 27, 81-405 Gdynia
tel./fax +48 58 622 18 33
email: lo3@lo3.gdynia.pl

The American Elementary and Middle School

ul. Łowicka 41, 81-504 Gdynia
tel. +048 58 664 69 71
fax +048 58 664 74 14

Warmia and Mazury

There are classes with foreign language studies in certain schools (German, English, Ukrainian).

Poznań (Greater Poland)**Poznan British International School**

ul. Darzyborska 1A, 61-303 Poznań
tel. +48 61 8709 730
fax +48 61 8768 799
mobile +48 509 151 501
email: office@pbis.edu.pl

International School of Poznań

ul. Taczanowskiego 18, 60-147 Poznań
tel. +48 61 646 37 60-62
fax +48 61 646 37 65
email: info@isop.pl

The First Private High School (I Prywatne Liceum Ogólnokształcące)

ul. Dąbrowskiego 262/280, 60-406 Poznań
tel. +48 61 847 74 35
tel/fax +48 61 847 74 56
email: iplo@amu.edu.pl

Szczecin (Western Pomerania)**Szczecin International Primary School**

ul. Mickiewicza 49, 70-385 Szczecin
tel. +48 91 424 03 00
fax +48 91 424 03 01
email: sis@sis.info.pl

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tel. +48 61 860 22 60
fax +48 61 860 22 61
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WROCŁAW

ul. Odrzańska 6/4
50-113 Wrocław
tel. +48 608 200 704
e-mail: wroclaw@wardynski.com.pl

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The Polish Information and Foreign Investment Agency (PAIIZ) has been serving investors for 14 years. Its mission is to increase Foreign Direct Investment (FDI) by encouraging international companies to invest in Poland. We guide investors through all the necessary administrative and legal procedures along the way to setting up their business.

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- assistance in finding appropriate partners and investment locations,
- support at every phase of the investment process.

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