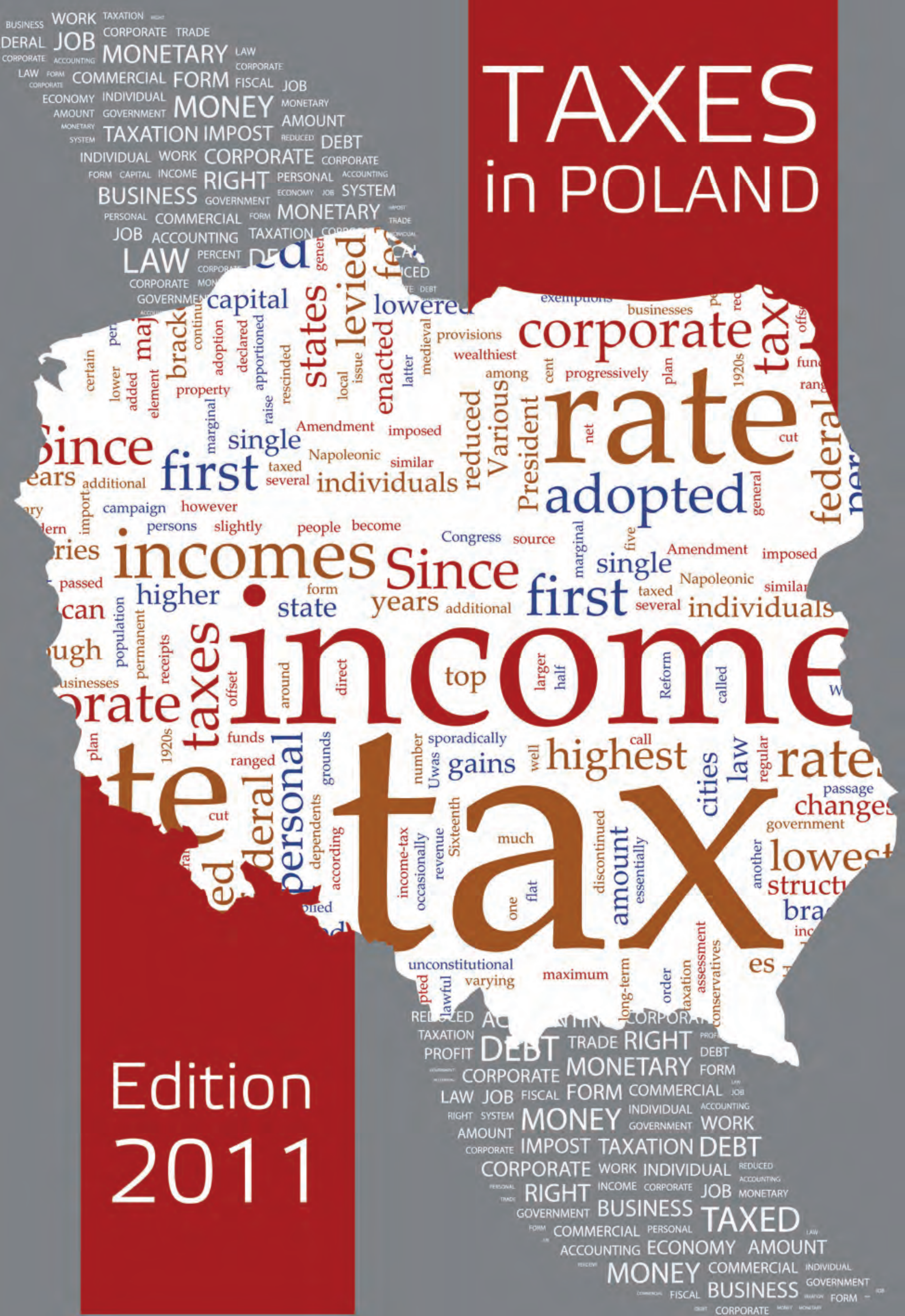
TAXES in POLAND



Edition 2011

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Tax system in Poland — outline

General information about the tax system in Poland

Tax administration in Poland lies in the hands of two kinds of authorities:

- governmental ones (corporate income tax, personal income tax, value added tax, excise duty, civil transactions tax);
- local governmental ones (real estate tax, vehicle tax).

Tax administration consists of two instance, i.e. decision made by the authority of the first instance may be challenged to the second instance authority.

Minister of Finance itself is also recognized as a tax authority, competent with respect to advance tax rulings (both general and individual) as well as advance pricing agreements.

Special tax offices for big taxpayers

There are special tax offices in Poland (20 of them) dedicated specifically for so-called big taxpayers, i.e.:

- entities that had achieved an annual income of at least EUR 5 million in the previous year;
- entities controlled directly or indirectly by a non-resident, or a non-resident has a minimum of 5% of the votes at the meeting of shareholders or at a general meeting;
- entities that as a residents participate directly or indirectly in the management of companies located abroad or control thereof or has a share in their capital;

- entities that as a residents jointly participate directly or indirectly in the management of a domestic entity and foreign entity, or control or have at the same time a share in the capital of such entities;
- capital tax groups, banks and insurance entities;
- branches or rep offices of the foreign entities.

Relations with the tax authorities

As a rule the relations with tax authorities are of a written form. All the correspondence shall be delivered (both to an entity and to the authorities) either personally or via Polish Post. To keep a deadline given for any activity (i.e. submitting an application, lodging an appeal etc.) it is required that the documents are either delivered within this deadline to the given authority personally or send in the Polish Post Office.

Any documents send via courier or the foreign post shall be send sufficiently early to be delivered to the tax authorities within a deadline.

The official language is Polish and therefore all correspondence, contacts, applications, appeals, complaints must be prepared in Polish. As a consequence all the documents submitted to the tax authorities in foreign language shall be accompanied by their translation.

Tax proceeding in Poland

The tax amount is determined either in the tax return submitted by a taxpayer or in a decision issued by the tax authority. Terms of payment are given in the law.

A taxpayer who is dissatisfied with the first instance decision may submit an appeal to the second instance.

As a rule an appeal suspends execution of a decision, but does not stop charging penalty interest on tax arrears.

The final decision issued by the second instance authority which is unfavorable for an entity may be subject to complaint to District Administrative Court. The proceedings before the administrative courts is also a dual instance system.

Advance tax rulings

Advance tax rulings are issued by Minister of Finance. The Minister of Finance issues either general ruling (addressed to all taxpayers) or individual ones (granted at the request of a given entity).

An application to obtain a tax ruling might be submitted both by any entity that requires information about tax consequences of its activities (at present and at future) and shareholders, potential investors or a foreign entity that intend to open a representative office in Poland.

The individual ruling may relate both to past and future transactions, however the scope of protection granted by obtaining a ruling differs in each of the above-mentioned situation.

In case the ruling refers to future transaction (i.e. tax implications of the transaction take place after the ruling is delivered) the taxpayer benefits from full protection, i.e. is not obliged to pay any tax arrears. Should the ruling relate to past transaction the tax arrears must be paid.

The unfavorable individual ruling might be challenged against by appealing to the District Administrative Court and subsequently to the court of the second instance.

The application for tax binding ruling is subject to fee of 40 PLN per question.

Singing the tax return by proxy

Tax returns may signed by taxpayers as well as by theirs proxies. By granting the power of attorney the taxpayer is exempted from submitting the tax return.

Power of attorney to sign the tax returns shall be granted by each individual that would be responsible for signing the given tax return.

The power of attorney should be sent to relevant tax office and should be granted separately for each kind of tax return.

On-line tax returns

On-line tax returns may be submitted by all entrepreneurs. Electronic filing requires possession of electronic signature.

Corporate Income Tax (CIT)

General rules

Rate: 19% flat rate.

Tax residency

- companies having their registered office or management in Poland are subject to CIT on all their income;
- companies not having their registered office or management in Poland are subject to CIT on income earned in Poland.

Tax base

The difference between revenue and tax deductible costs; the tax-payer shows a tax loss when the different is negative.

Tax losses

A taxpayer who suffered a loss in a given tax year has the right to settle this loss by reducing its taxable income no later than within the following five consecutive tax years ("*carry-forward system*"); however, the amount deducted in a given year cannot exceed 50% of such a loss. If the legal form of the company changes or a merger or division of the entities takes place, with the exception of a company being transformed into another company — tax losses suffered by entities that are merged, acquired or divided, are not taken into consideration when determining their taxable income.

Tax deductible

All expenses incurred in order to earn revenues and to secure or keep the source of revenues and which, at the same time, are not listed as non tax deductible costs. The taxpayers are obliged to properly document the fact that the expenses were incurred. (see "**Declarations/documentation's requirement**"). Expenses incurred on abandoned investment are also tax deductible.

Interest is tax deductible at the moment of payment (contrary to accounting purposes, where deducting the interest at the moment of accruing them is the rule).

Foreign exchange (FX) may be settled according to the so-called "fiscal method" — in this case FX is tax deductible at the moment it is incurred, or according to the accounting method at the moment it is accrued. The accounting method selected by the taxpayer must be applied for a minimum of three tax years.

Tax depreciation

Depreciation write-offs applied in accordance with the CIT Act are tax deductible. Generally, tax depreciation is applied according to the straight-line method; for some fixed assets it is also possible to apply a declining-balance method (boilers and electric power machines, basic and specialist machines, devices and appliances, technical devices, tangibles and equipment as well as means of transport except passenger cars). The depreciation base is, generally, the purchase or manufacturing cost. Those fixed assets with a value not exceeding 884 euro* (approx.) may be depreciated by a single write-off. Taxpayers are allowed to individually set up the depreciation rates for improved or used fixed assets. For example, a commercial building used longer than five years may be depreciated over a period of 40 years decreased for each full year that has elapsed since the day the building was first handed over for use until the day it was introduced into the inventory of the fixed and intangible assets kept by the taxpayer; however, the depreciation period cannot be shorter than 10 years.

In case of transformation, division, merger and contribution in kind of an enterprise or an organized part of an enterprise, the entities acquiring the fixed assets are obliged to continue the depreciation according to the rules formerly used by the previous owner.

Land and right of perpetual usufruct are not subject to tax depreciation; expenses incurred for the purchase of these assets are tax deductible costs upon the sale of the assets.

Tax rates and periods used for tax purposes differ from those used for accounting purposes.

Chart 1. The depreciation rates and methods for chosen fixed assets.

Type offixed assets	Straight-line Method		Declining balance Method	
	Depreciation period	Annual depreciation rate (%)	Depreciation period	Annual depreciation rate (%)
Passenger car of ca. 12,625 euro*	60 months	20% (ca. 2,525 euro*)	n/a	
Truck of ca. 25,251 euro*	60 months	20% (ca. 5,050 euro*)	30 months	40% (ca. 10,100 euro* in the first year)
Computer of ca. 1,263 euro*	3 years	30% (ca. 379 euro*)	18 months	60% (ca. 758 euro* in the first year)
Construction works machine of ca. 252,506 euro*	60 months	20% (ca. 50,501 euro*)	30 months	40% (ca. 101,002 euro* in the first year)
Office building of ca. 2,525,061 euro*	40 years	2,5% (ca. 63,126 euro*)	n/a	

Leasing

Income derived from leasing is subject to CIT general rules. Tax law provides for different regulations for two types of leasing: operational leasing and finance leasing.

The following may be leased: fixed assets, intangible assets and land. Operational leasing: the leasing fees are respectively the revenue for the lessor and the costs for lessee. The depreciation is applied by the lessor. Financing leasing: the fee paid by the lessee decreased by the amounts repaying the value of the subject of the leasing is respectively: the revenue for the lessor / the costs for the lessee. The depreciation is applied by the lessee. The leasing set-

tlements made for tax purposes may differ for settlements made for accounting purposes. It is possible in both financing and operational leasing to transfer the property rights of the leasing objects to the lessee once the leasing agreement has expired. As leasing fees may be fully tax deductible for operational leasing, the latter may more advantageous in relation to taxes.

Chart 2. The main differences between financing and operational leasing

	Operating leasing	Financing leasing
Leasing fees	Leasing fees are fully deductible for the lessee and also taxable profit for the lessor	Only the interest part of the leasing fees are deductible for the lessee and taxable profit for the lessor
Depreciation	Depreciation is applied by the lessor	Depreciation is applied by the lessee
Term of agreement	Min. 40% regular depreciation period (or min. 10 years for real estate)	As defined in an agreement — no minimum/maximum limit

Real estate

The income derived from the sale of real estate is subject to CIT general rules.

Capital gains

Income derived from the sale of shares, bonds and other securities is subject to CIT general rules. For sales made by foreign companies, the provisions of the double tax treaties (DTT) which Poland is a party to should be applied - according to the majority of these, capital gains are taxed in a state where a company issuing the securities has its registered office. Exceptions apply for the transfer of shares or other rights for a company whose assets mainly include real estate located in Poland — in this case the income is subject to taxation in Poland (the "real estate clause" — included, for example, in DTT with Austria, Belgium, Denmark, Germany and Sweden).

The sale of shares in Polish companies is subject to 1% Civil Transaction Tax (CTT) on the market value of the shares, unless it is effected through a brokerage office.

Tax capital group

It is possible to consolidate taxes within a tax consolidation group. However, since the tax law regime is very inflexible, a tax capital group is not a popular form of consolidation for tax purposes.

The following conditions are among those required to form a capital group:

- registered office of the company must be situated in Poland;
- average share capital of each of the companies belonging to the group is ca. 252,506 euro*;
- minimum share held by a dominant company in other companies belonging to the group is 95%;
- inability to benefit from any other exemptions from tax by companies belonging to the group;
- minimum share of income in revenues to be attained by the tax group is 3%;
- detailed requirements regarding form and substance of the agreement;
- minimum period for which the agreement is concluded is 3 years;
- inability to apply the agreement to other companies (and other requirements).

An alternative to tax capital groups may be to conduct a business activity by using a partnership — in such case CIT is settled by the shareholders and there are no specific requirements.

Distribution of income from Poland

Dividends disbursed from Poland are subject to a 19% withholding tax (**WHT**). The DTT which Poland is a party to provides for a reduced rate of WHT (5%, 10% and 15%) and is usually dependent on holding a certain share in the company paying the dividend.

At the same time, tax exemptions may apply for dividends disbursed to companies having their registered office in Poland, the European Union (**EU**) or the European Economic Area (**EEA**) or in Switzerland. The WHT exemption is possible, if:

- the company disbursing the dividend has its registered office in Poland;
- the dividend is received by a company whose entire income, irrespective of where it is earned, is subject to income tax in Poland, the EU, an EEA Member State, or Switzerland;
- the company receiving the dividend holds directly at least 10% (25% for Switzerland) of the shares in the capital of a

company disbursing dividend uninterruptedly for at least two years — this requirement does not have to be fulfilled at the moment the dividend is paid;
- the company receiving the dividend must not benefit from tax exemption in income tax from all of the company's income, regardless of source of this income.

To benefit from WHT exemptions or the lower rate on the basis of the DTT, the company disbursing the dividend must hold a tax residence certificate issued by the relevant tax authorities of the state in which the recipient has its registered office.

Dividends are also understood as income derived from, among other things, the redemption of shares or value of assets received upon the liquidation of the company (the former does not always benefit from the exemption).

Thin capitalization

Generally, interest on loans is classified as tax deductible costs upon their payment (see "**General rules**"). However, this rule does not apply to interest on loans granted by certain entities if the following conditions are met ("*thin capitalization rules*"):

- the loan is granted by: shareholder(s) holding at least 25% of shares in the borrowing company's capital (equity) or by a "*sister-company*" (i.e. a company, in whose capital at least 25% of the shares are held by the company holding also at least 25% of the shares in the borrowing company's capital), and
- the value of the debt of the borrowing company towards its shareholders holding at least 25% of shares in its capital and entities holding at least 25% of shares in the capital of those shareholders (and towards the "*sister-company*" if the loan was granted by the sister-company) exceeds three times the value of the capital (equity) of the borrowing company.

Interest on the part of the loan exceeding three times the value of the equity of the borrowing company is not tax deductible ("*debt to equity ratio*" — 3:1). In the part not exceeding this threshold the interest is still tax deductible. The value of the debt is defined on the day the interest is paid. Interest on loans must be set using the arms' length principle. A loan for thin capitalisation purposes includes also debentures and deposits; in addition, the equity value is defined in a specific way.

Loans are generally subject to 2% CTT. Exemptions are nevertheless possible with regard to such things as loans granted to the company by its shareholders, loans granted by foreign entities conducting business related to granting loans and credits, or in connection with which VAT exemptions were applicable (as financial intermediary services).

Tax exemptions/deductions

The income derived by Polish investment funds is CIT exempt; this applies also to funds investing in real estate.

Companies operating in special economic zones ("**SEZ**") may benefit from CIT exemptions. The exemption amount depends on the region of Poland and is currently between 30% and 50% of the amount:

- of the investment expenses incurred within the period that the investment in a SEZ has been carried out, or
- two years' employment costs of jobs created.

CIT exemptions apply if a taxpayer fulfils, among others things, the following requirements:

- obtains a permit to operate within a SEZ;
- incurs specific expenses after obtaining permission;
- incurs specific expenses for a new investment;
- does not sell the assets which constitutes the qualifying investment costs before three to five years have lapsed (depending on the status of a taxpayer as small, medium or large company) from the day the assets have been registered in the fixed assets / intangible assets register;
- carries out a business activity for at least three to five years (depending on the status of the taxpayer as a small, medium or large company).

Generally, production activity is allowed within a SEZ. However, most SEZ's also allow the provision of the following services: accounting (with the exception of tax returns), bookkeeping services, call centers, information technology services, technical research and analyses services and research and development services.

The exemptions apply only to a business activity conducted within a SEZ.

A company carrying out activity within a SEZ may also benefit from real estate tax exemptions.

Withholding tax (WHT)

The following payments made abroad by Polish companies are subject to WHT:

- dividends and other payments resulting from participating in the profit of a company (see "**Distribution of the income from Poland**");
- interest;
- royalties;
- remuneration for intangible services, such as: consulting, accounting, market research, legal services and others.

The WHT rate is 20% (except for dividends — 19%). Similarly to dividends, lower rates resulting from DTT may apply, provided the Polish company possesses the tax residence certificate of the recipient.

Remuneration for providing intangible services are usually not subject to WHT if Poland is a party to DTT with the state of the recipient company and the Polish company possesses the tax residence certificate of the recipient.

Some of the DTT also provides for a zero per cent interest rate (for example DTT concluded by Poland with Sweden, USA and France).

A transitional period applies to Poland with regard to the implementation of the Interest and Royalties Directive (Directive 90/434/EWG of 23 July 1990) — the payments made by a company with its registered office in Poland to a company having its registered office in an EU Member State other than Poland will be WHT exempt until 1 July 2013, if:

- the company paying interest/royalties holds at least a 25% share in the capital of a company receiving interest/royalties or a company receiving interest/royalties or holds at least a 25% share in the capital of a company paying interest/royalties or a company whose total income is subject to income tax in an EU Member State which holds at least a 25% share in the capital of both: a company paying and a company receiving interest/royalties; and
- a minimum 25% share in the capital is held directly for an uninterrupted period of at least two years — the 2-year shareholding requirement does not have to be fulfilled at the moment the above payments are made.

Within the transitional period, the WHT rate is a maximum 5% from 1 July 2009 until 30 June 2013. From 1 July 2013 interest/royalties paid to foreign related parties will be WHT exempted. To apply these rates a Polish company needs the tax residence certificate of the recipient company.

Declaration/documentation requirements

Taxpayers are no longer obliged to submit CIT-2 monthly declarations. However, they are still obliged to pay advances on a monthly basis. Taxpayers are obliged to submit CIT-8 declarations on an annual basis.

Documentation of intangible services: with regard to their nature, intangible services must be documented in a detailed way. Tax authorities pay special attention to this issue; a sole agreement may not be sufficient evidence in this regard.

Other tax deductible costs must be properly documented as well.

Chart 3. Taxation of different forms of business activity conducted — branch (permanent establishment) vs. company — comparison.

	Branch (permanent establishment)	**Company**
Taxation	19%	19%
Distribution of income	No WHT	19% WHT, however, exemptions or lower rates are possible
Bookkeeping	Yes	Yes
Transfer Pricing methodology	Yes, in relation to related entities, including the parent entity	Yes, in relation to related entities
Other remarks	The deduction of CIT paid in Poland by the parent entity is possible. Some DTT provisions give exemptions for income taxed in Poland.	The deduction of WHT paid in Poland is possible. For a parent-company with its registered office in the EU, exemptions for dividends are possible.

Real estate tax

Real estate tax rates depend on the type and location of the given real estate. Real estate tax is payable on an annual basis. Tax rates are defined by local authorities.

Chart 4. Maximum real estate tax rates in 2011

Type of a real estate	Tax rate
Land	0.20 euro* / per square meter
Residential buildings	0.17 euro* / per square meter
Non-residential buildings connected with the business activity	5.32 euro* / per square meter
Structures and infrastructure	2% of value (shown in accounting books as a depreciation base)

* according to the exchange rate announced by the National Bank of Poland; 1 euro* = PLN 3.9603; on December 31st 2010

Payroll taxes

Personal Income Tax [PIT]

Personal Income Tax is levied on all forms of income earned by individuals, except for income exempted under PIT provisions.

Income is defined as the excess of total revenue over its tax deductible costs generated in a tax year.

In Poland, individuals are subject to Personal Income Tax calculated in accordance with a progressive tax scale, which differs according to the amount of income earned.

In 2011, Personal Income Tax will be based with application of the following tax scale:

Tax base		Tax
above	up to	
	PLN 85,528	18% minus the sum decreasing the tax by PLN 556,02
PLN 85,528		PLN 14,839.02 + 32 % of the amount exceeding PLN 85,528

Besides the progressive tax scale, individuals who conduct a business activity may be subject to the 19% flat-rate tax.

Certain incomes relating to capital gains (e.g. dividends, interest from loans, shares), and some incomes obtained by tax non-residents, may also be subject to flat taxation (19 and 20%).

There are certain tax exemptions provided by Polish tax law, e.g. deduction of foreign social security and health insurance contributions which were paid, but not deducted in another country, family relief, joint reconciliation with a spouse or a child, relief for the internet, etc. Spouses from the EU, EEA and the Switzerland, being Polish tax non-residents who derived at least 75% of all taxable income received in a tax year in Poland, are entitled to tax their income in

the same way as Polish tax residents. Polish tax non-residents may also benefit from joint taxation with a child as a single parent.

Payroll taxes due from employment contracts are withheld monthly by employers and paid to the tax authorities by the 20th day of the following month for the previous month.

The final tax return deadline is 30 April of each following tax year. As 30 April 2011 fall on Saturday, deadline for final tax return is moved on 2 May 2011.

Contributions to the social security system

Besides PIT, individuals and companies make contributions to the health and social security systems. The obligatory contributions paid by employee and employers are as follows:

Contribution (percentage of gross monthly salary)	In Total	Employee	Employer
Retirement insurance	19.52%***	9.76%	9.76%
Disability insurance	6.00%***	1.50%	4.50%
Health insurance	9%	9% *	—
Sickness insurance	2.45%	2.45%	—
Accident insurance	0.67-3.60%	—	0.67-3.60%**
Bridge Pension Fund	1.5%****	—	1.5%
Labour Fund	2.45%	—	2.45%
Fund of Guaranteed Employee Benefits	0.10%	—	0.10%

* Deductible partly from the monthly tax advance.
** A 1.67 0% rate is applicable in the first year of the employer's business activity.
*** There is a yearly cap on contributions to the retirement and disability insurance, which amounts to PLN 100 770 in 2011.
**** The contributions are due from the employees borne after 31 December 1948 who work in special working conditions.

The deadline for reporting and paying social security contributions is the 15th day of the following month.

Employee sick leave benefits

Allowances in case of sickness or maternity leave are borne by employers and the Social Security Office (ZUS)

Period of Absence	Paid by Employer	Paid by the Social Security Office
Day 1 to 14 of sickness in the case of employees above 50	80% of the average salary**	
Day 1 to 33 of sickness in the case of other employees	80% of the average salary**	
Day 14 onwards Day 33 onwards		80% of average salary*

* In the case hospital stay, the sick leave benefit paid by the Social Insurance Office is reduced to 70% of the salary.
** Average salary for the last 12 months.

In the case of sick leave due to a work-related accident, sickness during pregnancy, or related to employees donating their organs, or maternity leave — allowances amount to 100% of the average salary.

Expatriates

According to PIT regulations, all Polish tax residents are taxed on their worldwide income regardless of the source of income.

Individuals who are not tax residents of Poland are taxed on income incurred or derived from sources in Poland.

An individual is a tax resident in Poland if he/she:

- has a centre of vital interests in Poland, or
- stays in Poland for more than 183 days in a tax year.

These rules are applicable in compliance with the provisions of agreements on the avoidance of double taxation. Therefore, even if the person meets the criteria for residence in Poland according to the internal tax law, the criteria of an international agreement should always be taken into consideration in order to decide which country is the current place of residence for tax purposes.

After establishing the state of residence, it is possible to apply a proper method of avoiding double taxation, based on the provi-

sions contained in a given international agreement, in order to eliminate the risk of taxation of income in both countries (it will be either exemption with a progression method or a tax credit method).

Generally, income received by a non-tax resident from an employment contract is taxed at progressive taxes rates (the same rates as for locals). Incomes for non-tax residents derived from:

- membership in managing board/supervisory boards,
- civil contracts,
- entertainment and sport activities,
- accounting, counselling and legal activities,
- advertising activities,
- know-how, etc.

These are subject to a 20% flat-rate tax. Besides this tax, there is also a possibility for expatriates to be subject to the 19% flat- rate tax, which applies to natural persons conducting business activity.

Transfer Pricing

Laws

Polish Transfer Pricing regulations generally follow the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations ("OECD Guidelines"). However, the scope and level of detail of the Polish Transfer Pricing regulations is limited in comparison to the OECD Guidelines.

Related parties

Parties are considered related if:

- a domestic entity controls a foreign entity;
- a foreign entity or foreign individual controls a domestic entity;
- the same legal entity or an individual controls both the domestic entity and the foreign entity;
- a domestic entity controls another domestic entity;
- the same legal entity or individual controls two or more domestic entities.

According to Polish regulations, an entity is controlled, when another entity or an individual participates directly or indirectly in management or supervision of this entity, or directly or indirectly holds at least five (5) per cent of the shares in this entity. Polish Transfer Pricing regulations also apply to Polish entities in a relationship of a family nature or arising from an employment or property relationships (between these entities or people who perform management or supervisory functions in these entities).

Arm’s length conditions

Profit (incomes or costs) of a Polish entity from a related party transaction (domestic or foreign) might be assessed at the market value and adjusted. The adjustment may be made, if the transaction conditions agreed by this entity with a related party differ from those which would be agreed between independent entities (and the tax income is not disclosed or is disclosed but in a smaller amount than might be expected, if the parties to the transaction were independent).

Transfer pricing methods

The Polish tax regulations indicate five OECD transfer pricing methods which may be applied by the tax authorities for the assessment of the market value in the related parties transaction:

- traditional methods (comparable uncontrolled price, resale price and cost-plus);
- transactional profits methods (profit split and transactional net margin method).

Traditional methods have priority in application (before transactional profits methods). The comparable uncontrolled price method should be applied first, if any other method does not provide that the value of the transaction between related parties is closer to its market value.

The detailed rules on profit assessment performed by tax authorities with use of the abovementioned transfer pricing methods are included in the Ordinance of the Minister of Finance of 10 September 2009.

Special rules

The Polish regulations stipulate special rules for determination of the arm’s length value of the transactions including:

- loans (credits) or guarantees;
- advertising costs;
- contract research;
- cost sharing related to the creation of intangibles.

Transfer pricing documentation

The specific transfer pricing documentation should be prepared for the transactions between related parties if the total transaction value in a tax year exceeds the PLN equivalent of:

- EUR 100,000 — if the value of the transaction does not exceed 20 per cent of the share capital,
- EUR 30,000 — in case of provision of services and sales or licensing of intangible assets,
- EUR 50,000 — in all other cases.

The value of the transaction is translated from EUR into PLN with use of the average National Bank of Poland exchange rate for the last day of the tax year preceding the tax year for which the transfer pricing documentation is prepared.

The transfer pricing documentation also needs to be prepared for a transaction where the Polish permanent establishment of a foreign company is involved.

Furthermore, the transfer pricing documentation is also required for a transaction in which payment is made by the Polish entity, directly or indirectly, to an entity in a country or territory applying harmful tax competition, if the transaction value exceeds the PLN equivalent of EUR 20,000. The list of countries and territories applying harmful tax competition is included in the Ordinance of the Minister of Finance of 10 September 2009.

The Polish Transfer Pricing regulations define the information that should be included in the transfer pricing documentation. However, they do not specify a certain sequence, format or level of detail to be maintained in the transfer pricing documentation. There is no statutory deadline for preparation of the transfer pricing documentation. However, the taxpayers are required to provide the transfer pricing documentation within seven days upon the tax authorities' request. The transfer pricing documentation must be prepared in the Polish language. The Polish regulations require taxpayers to disclose in their annual corporate income CIT-8 tax return whether or not they were obliged to prepare specific transfer pricing documentation.

Penalties

The tax authority may assess the profit (incomes or costs) from a transaction with a related party if the conditions in such transaction is not arm's length and, as a result therefore, Polish entity discloses a smaller income (than could be expected if the transaction was

concluded between unrelated parties). The difference between the income assessed by the tax authority and the income disclosed by the Polish entity for tax purposes is treated as a tax arrear and is subject to a tax rate appropriate for the tax year in which the tax arrear arose (e.g. 19% in 2010). Moreover the Polish entity is required to pay interest on such tax arrears.

If the Polish entity fails to submit the required transfer pricing documentation within seven days of the tax authorities' request, and the taxpayer's profit is adjusted as a result of a tax inspection, then the difference between the incomes assessed by the authorities and declared by the taxpayer is subject to a 50 per cent penalty tax rate. Moreover, the individuals responsible for tax settlements and the company may be subject to penalties stipulated in Penal Fiscal Code and Law on the responsibility of joint entitles for tax profit deficiency or failure to submit the transfer pricing documentation.

Transfer Pricing Agreements (APA)

Taxpayers may apply to the Minister of Finance for a confirmation of the choice and manner of application of their transfer pricing methodology. This confirmation is effected by means of the tax authorities' administrative decision (APA). Unilateral, bilateral and multilateral APAs are available in Poland. The APA is valid for up to five years and may be prolonged for the following five years periods, if the taxpayer applies to prolong the APA before it expires.

Corresponding adjustments

The Polish regulations allow the taxpayer to apply for correcting its taxable profit in a situation where such profit was already taxed by a foreign tax administration relevant for taxpayer's related party. These regulations allow avoidance of double taxation of the profit from the transaction between related parties located in different countries. This applies to those situations where such profit was subject to transfer pricing adjustment made by tax administration relevant for the foreign related party. The detailed procedure for applying for a corresponding adjustment is described in the Minister of Finance ordinance of 10 September 2009.

The above principles also apply to foreign entities which operate in Poland through permanent establishments (with respect to income earned through such permanent establishments), and Polish entities which operate through foreign permanent establishments.

Value Added Tax [VAT]

The Polish Act of 11 March 2004 on Value Added Tax [**the VAT Act**] is based on the Directive 2006/112/EC on the common system of Value Added Tax [**the VAT Directive**].

VAT rates

The main VAT rates applicable in Poland in 2011 are:

- 23% — the standard VAT rate applicable to supply of majority of goods and services;
- 8% — the reduced VAT rate applicable to supply of certain groceries, medical equipment, restaurant and hotel services as well as house building;
- 5% — the super reduced VAT rate applicable to supply of certain groceries (e.g. baker's and lacteal goods, meat) and some kinds of books.

VAT in international trade — goods

Taxpayer supplying goods to purchasers in EU countries, may apply 0% VAT rate on intra-Community supply of goods.

0% VAT rate is also applicable to exportation of goods treated as dispatch of goods from Poland outside EU within supply of goods. 0% VAT rate may be applied provided that the taxpayer possesses customs documents confirming dispatch of goods outside the EU.

When a taxpayer purchases goods which are transported form EU country to Poland, he is obliged to self-account for VAT in Poland. It means that he should report at the same time output

VAT on taxable transaction and input VAT (as such activity constitutes for him 'purchase' for business purposes). Consequently, as a rule intra-Community acquisition of goods is neutral from VAT perspective for the taxpayer (amount of output VAT equals amount of input VAT).

Delivery of goods to Poland from a third country constitutes importation of goods subject to VAT in Poland. As a rule, output VAT on importation is paid to the customs office which makes the clearance of delivered goods. At the same time, the taxpayer who pays VAT to the customs office is entitled to deduct this VAT based on received customs document. In certain cases it is possible to avoid paying output VAT to the customs office and account for VAT in VAT return (so-called postponed accounting system) — similarly as in case of intra-Community acquisition of goods. However, this opportunity is available only for taxpayers who apply customs simplified procedures. VAT exemption is allowed for e.g. importation of goods subject to inward processing, temporary admission with total relief from import duties, promotional materials and samples of goods.

VAT in international trade — services

In the case of cross-border supply of services, obligation to pay VAT in Poland may arise when the place of supply of particular transaction, determined in line with VAT rules, is Poland.

In this respect, the Polish VAT Act is in line with regulations of the VAT Directive — in case of transactions between taxpayers (B2B) having seat/residence/fixed place of business in different countries, the general place of taxation is the country of purchaser's seat/residence/fixed place of business. The reverse rule is applicable to supplies made by a taxpayer to a non-taxpayer (B2C).

Consequently, according to the general rule, VAT is charged in Poland when the taxpayer purchasing services (from supplier seated in other country), has his seat/residence/fixed place of business in Poland. The VAT is chargeable in Poland also when the supplier having his seat/residence/fixed place of business in Poland supplies services to a non-taxpayer.

There are some exceptions from the above rules — e.g. place of taxation of services related to immovable property is a place (country) where this property is located, however, place of supply of restaurant and catering services is a place (country) where the services are physically carried out.

VAT exemption

The VAT Act covers list of supplies that may be subject to VAT exemption. The common VAT-exempted supplies are (lack of option for taxation):

- financial services (granting of credit, transactions on current accounts, currency exchange);
- insurance and reinsurance services;
- certain medical services;
- some education services;
- social welfare services;
- social security contribution services;
- some cultural and sports services.

The Polish VAT Act lays down VAT exemption for supply of certain immovable properties. On the other hand, it is also possible to apply option for taxation to these supplies.

VAT deduction and refund

A taxpayer is entitled to deduct input VAT charged on purchase of goods and services provided that these purchases are related to supplies giving right to deduct VAT (i.e. with VAT-able sale).

Limitation of input VAT concerns purchase of passenger cars (up to 60% of VAT indicated on invoice, not more than 6.000 PLN) and immovable property used partially for non-business purposes (based on actual usage).

Under the VAT Act it is not allowed to deduct input VAT from purchase of engine fuel for passenger cars, hotel and restaurant services.

Input VAT concerning both VAT-able activities and VAT-exempt activities may be partially deducted by the taxpayer.

The surplus of input VAT over output VAT may be refunded within 60 days since VAT return is submitted. It is possible to shorten the VAT refund deadline up to 25 days, provided that the certain conditions are met.

VAT registration

Entities which intend to perform taxable activities in Poland should register for VAT purposes before first taxable supply is done. If they intend to perform intra-Community transactions, they should register as EU VAT-payers.

Those entities whose taxable turnover is less than PLN 150,000 per annum may be exempt from VAT. However, they may opt for taxation upon notification to tax authorities.

Entities that not have seat, residence or fixed place of business in Poland, must appoint a tax representative in Poland. The tax representatives are jointly liable with the taxpayer for any Polish VAT liabilities.

The Polish VAT Act does not allow for VAT grouping.

VAT returns

VAT payers should file VAT returns monthly by the 25th day of the month following the month in which the tax point arose or quarterly by the 25th day of the month following the quarter in which the tax point arose. As a rule, VAT is paid to the tax office when VAT return is submitted. However, the taxpayers accounting for VAT quarterly may be obliged to pay monthly advances for VAT. Small taxpayers whose sales volume do not exceed EUR 800,000 are not obliged to pay monthly advances (they are entitled to pay VAT quarterly).

Taxpayers who perform intra-Community transactions in goods and supply services (for which place of supply is determined based on general rule) to EU taxpayers, are obliged to submit monthly EU Sales/Purchases Lists. EU Sales/Purchases Lists may be submitted monthly if sales volume do not exceed certain threshold or if the taxpayers only supply services to EU taxpayers. Additionally, the taxpayers should file monthly statistical reports (INTRASTAT) with the customs authorities concerning intra-Community transactions in goods.

Related parties

In case of transactions between related parties, tax authorities may re-assess the turnover based on a market value if such a relation affected the consideration for supply of goods and services and one party is a taxpayer not having full right for VAT-deduction.

This right to reassess the turnover is applicable when the parties of the transaction are family, capital or property relations between parties or between persons who hold managing, supervision or controlling functions in these entities. Capital relations exist if at least one party has voting rights amounting to at least 5% of all voting rights (directly or indirectly).

Excise and customs duty

Excise duty

In general, Excise Law in Poland is based on EU provisions, which are used to form the appropriate directives. Invalid as of 1 April 2010 became the provisions of the most important EU act within this area, i.e. the "Horizontal" Directive (Council Directive 92/12/EEC of 25 February 1992). These provisions were replaced by those provisions stipulated in the Council Directive concerning the general arrangements for excise duty, no. 2008/118/EC of 16 December 2008.

As of 1 March 2009 a new Act on Excise has been implemented which harmonises Polish excise provisions within the Community provisions. A significant amendments to the Act on Excise prepared with respect to the fact that it is necessary to adjust it to meet the new directive came into force as of 1 September 2010.

The following goods are subject to excise duty:

- excise goods (energy products: i.e. fuel, fuel propulsion, mineral oils, as well as electric energy, alcoholic beverages and processed tobacco);
- passenger cars.

Excise is due on, for example: production, introduction of excise goods into a tax warehouse, imports, intra-Community acquisitions, acquisitions and possessing excise goods for which excise duty was not paid, as well as shortages of excise goods. In the case of electrical energy, excise is due also on the sale to the final consumer, while in the case of passenger cars the first sale before the registration for traffic road purposes.

Excise duty becomes chargeable when a taxable activity is completed or at the moment when excise goods are released from the excise suspension procedure (the latter situation does not refer to

electrical energy or passenger cars, for which the suspension procedure is not applicable). As a rule, in order to apply the suspension procedure, financial security is required.

Excise goods, as a rule, can be produced only in the tax warehouse for which the authorization of the tax authorities is needed. Produced and acquired harmonized excise goods can also be held in tax warehouses. The tax point does not arise until the moment the excise goods are released from the excise suspension procedure. Production of excise goods outside the tax warehouse depends on the liability to pay the prepayment of the excise amounting to 100% of the tax due in the month preceding the month of production.

If excise goods are sold in other EU member states or outside the EU, excise duty in Poland is not due, provided that such goods are dispatched under excise duty suspension arrangements and the recipient is an entity which is authorized to maintain a tax warehouse or has authorization to acquire excise goods as a registered trader. As of 1 September 2010 the shipment in the suspension procedure might also be a registered consignor. Corresponding rules apply for excise goods delivered into Poland i.e. an entity from another EU member state who delivers excise goods does not pay excise duty if it delivers such goods from a tax warehouse within the suspension procedure and the recipient in Poland is an entity which has authorization to maintain a tax warehouse or is a registered consignee.

According to the new Directive 2008/119/EC the supervision of the movement of excise goods within the suspension procedure as of 1 January 2011 is executed electronically (eAD) and not as it is currently with an accompanying administrative document (AAD). The exceptions are domestic shipments, for which the paper AAD might be used until the end of 2011.

The excise duty amount with regard to excise goods depends on their quantity and not their value (except for passenger cars). Excise duty is from 25 to over 60 per cent of the retail price.

Alcoholic beverages (excluding beer) and manufactured tobacco are subject to tax marking with an excise band put on each single package. Trading in such goods without excise bands is deemed a fiscal crime.

Customs duty

The territory of the EU is a customs union, whose general rules are: lack of customs borders inside the EU and a common customs policy towards third countries, including an integrated customs tariff.

The obligation to pay customs duty arises when goods are imported from outside the EU.

Basic customs law provisions are:

- Council Regulation (EEC) No. 2913/92 of 12 October 1992, establishing the Community Customs Code;
- Commission Regulation No. 2454/93 of 2 July 1993, laying down provisions for the implementation of Council Regulation (EEC) No. 2913/92 establishing the Community Customs Code;
- Integrated Customs Tariff and Council Regulation (EEC) No. 918/83 of 28 March 1983 setting up a Community system of reliefs from customs duty.

Polish customs provisions regulate more detailed issues, as well as matters related to autonomy that can be regulated by EU member states, including:

- appeals and judicial proceedings with regard to decisions of customs authorities;
- jurisdiction of the customs authorities;
- proceedings for making decisions related to customs procedures or using facilities and simplifications;
- mode of taking securities needed for suspending customs procedures.

As of 31 August 2007, according to the Community Customs Code, Poland implemented laws for using the Export Control System (ECS), which allows export procedures to be applied with electronic information sent between the customs turnover parties.

On 1 January 2008, the Community Customs Code regulation entered into force in Poland regarding an Authorised Economic Operator (AEO), according to which entities which possess one of the three types of AEO certificates are privileged during import procedures and customs inspections.

As of 1 January 2009 more restrictive provisions came into force regarding the application of the simplified procedure. Obtaining the proper authorisation depends on fulfilling most of the conditions required for obtaining the AEO status.

As of 1 March 2010 for importers were available for testing purposes the Import Control System (ICS), which allows communication on imported goods to be applied with electronic information sent between the customs turnover parties. Obligatory application of ICS is required as of 1 January 2011, as is the case throughout the European Union. For the purposes of applying the ICS as of 1 July 2009, the obligation has been implemented of using EORI identification numbers, which is attributed to importers for evidencing them under the Economic Operators' Registration and Identification system).

Foreign exchange limitations

In general, foreign exchange is free of any administrative limitations, except for certain restrictions stipulated in the Foreign Exchange Act.

These restrictions concern foreign exchange transactions concluded with non-residents from third countries, i.e. countries which are non-EU Member States:

- acquisition by Polish residents of shares in companies domiciled in third countries (unless conducted in Poland);
- acquisition by Polish residents of investment fund certificates domiciled in third countries (unless conducted in Poland);
- acquisition by Polish residents of debt securities issued for a fixed term of one year, or more by non-residents from third countries (unless conducted in Poland).

The restrictions do not apply to non-residents from third countries, which have concluded bilateral investments with Poland, or are EEA and OECD Member States.

Where a given transaction falls within the scope of the limitations, an entity may apply for an individual foreign exchange permit from the National Bank of Poland.

The individual foreign exchange permits are issued for a given transaction (for entering into an agreement or settlement of liabilities), or sometimes for a given volume of transactions or a given period.

Starting business in Poland

General rules of running a business in Poland are set forth in the Polish Act on Freedom of Economic Activity providing that persons from Member States of the European Union and Member States of the European Free Trade Association (EFTA) may start and run business activity under the same terms and conditions as Polish companies.

Persons outside the EU and EFTA may start and run business activity only in the form of the following partnerships and companies: limited partnership, limited joint-stock partnership, limited liability company and joint-stock company. Such persons may also join these partnerships and companies as well as acquire shares in them, unless international agreements provide otherwise.

When companies decide to start business in Poland, they may choose between the following types of partnerships and companies (taking into consideration the limitations described above):

- registered partnership;
- civil partnership;
- limited partnership;
- limited joint-stock partnership;
- professional partnership;
- limited liability company;
- joint-stock company.

Depending on the selected type of business activity, it is necessary to take the following actions before starting it:

- prepare a deed of formation and articles or memorandum of association;
- make an entry into the National Court Registry (KRS);
- report your partnership or company to the Statistical Office (to receive a REGON number);
- open a bank account for your partnership or company;
- register your partnership or company with the Tax Office (to receive a tax identification number — NIP and for VAT purposes);

- register your partnership or company with the Social Insurance Institution (ZUS);
- start keeping books and making reports required by law or have these services provided by a specialized business partner;
- grant relevant powers of attorney.

In practice, the registration process of a partnership or company lasts several weeks and involves submitting comprehensive forms to relevant offices. If any information is missing from the forms or there are any errors in them, it will take a longer time to complete. As required forms are complicated, investors often use the services of advisory companies which help them choose the best solutions for the business activity they are to start.

A partnership or company that has been registered and starts running its activity has to fulfill several obligations imposed on it. Apart from obligations specific for certain sectors, almost every partnership or company will have to:

- keep books (pursuant to the Polish Accountancy Act, each partnership or company is obliged to keep books in the Polish language and currency. What is important, books of a partnership or a company must be kept in Poland in accordance with applicable laws);
- disclose and settle income tax;
- disclose and settle value added tax.

Moreover, partnerships and companies may be supervised in fulfillment of the abovementioned obligations, and all documentation and explanations have to be presented in Polish. What is also crucial is that in many cases it is the manager who assumes full responsibility for particular obligations.

Before you start...

As a result of starting business activity in another country, an investor will face both new opportunities and risks. Already at the first step it is necessary to decide which form of partnership or company will be best in terms of taxes, costs and limitations of liability.

Afterwards, the investor has to register a partnership or a company, which involves visits to many offices and filling in several documents.

These tasks are time-consuming and require comprehensive knowledge of the legal and tax system. MDDP is an advisory company that has been working together with foreign investors since its beginning and has implemented many new business projects successfully. Our support makes it possible for investors to start their

business activity in accordance with applicable provisions of Polish law. Based on projects implemented so far and our experience, we provide advice to partnerships and companies at each stage of their activities. New business players on the Polish market may benefit from full outsourcing of accounting functions and payroll, including calculating and disclosing relevant taxes, making reports in accordance with international standards or specific group requirements.

Witholding taxes under Poland's tax treaties

Country	WHT in Poland (%)		
	Dividends	Interest	Royalties
Albania	5 / 10 (d)	10	5
Algeria	5 / 15 (d)	0 / 10 (k)	10
Armenia	10	5	10
Australia	15	10	10
Austria	5 / 15 (a)	0 / 5 (k)	5
Azerbaijan	10	10	10
Bangladesh	10 / 15 (a)	0 / 10 (k)	10
Belarus	10 / 15 (e)	10	0
Belgium	5 / 15 (cc)	0 / 5 (k)	5
Bulgaria	10	0 / 10 (k)	5
Canada	15	0 / 15 (k)	0 / 10 (f)
Chile	5 / 15 (c)	15	5 / 15 (h)
China	10	0 / 10 (k)	5 / 10(h)
Croatia	10 / 15 (d)	0 / 10 (k)	10
Cyprus	10	0 / 10 (k)	5
Czech Republic	5 / 10 (c)	0 / 10 (k)	5
Denmark	0 / 5 / 15 (s)	0 / 5 (k)	5
Egypt	12	0 / 12 (k)	12
Estonia	5 / 15 (d)	0 / 10 (k)	10
Finland	5 / 15 (d)	0	0 / 10 (f)
France	5 / 15 (a)	0	0 / 10 (p)
Georgia	10	0 / 8 (k)	8
Germany	5 / 15 (a)	0 / 5 (k)	5

Country	WHT in Poland (%)		
	Dividends	Interest	Royalties
Greece	19	10	10
Hungary	10	0 / 10 (k)	10
India	15	0 / 15 (k)	20 (bb)
Indonesia	10 / 15 (c)	0 / 10 (k)	15
Island	5 / 15 (d)	0 / 10 (k)	10
Iran	7	0 / 10 (k)	10
Ireland	0 / 15 (d)	0 / 10 (k)	0 / 10 (v)
Israel	5 / 10 (b)	5	5 / 10 (h)
Japan	10	0 / 10 (k)	0 / 10 (i)
Jordan	10	0 / 10 (k)	10
Kazakhstan	10 / 15 (c)	0 / 10 (k)	10
Korea	5 / 10 (a)	0 / 10 (k)	10
Kuwait	0 / 5 (z)	0 / 5(k)	15
Kyrgyzstan	10	0 / 10 (k)	10
Latvia	5 / 15 (d)	0 / 10 (k)	10
Lithuania	5 / 15 (d)	0 / 10 (k)	10
Luxembourg	5 / 15 (d)	0 / 10 (k)	10
Macedonia	5 / 15 (d)	0 / 10 (k)	10
Malaysia	0	15	15
Malta	5 / 15 (c)	0 / 10 (k)	10
Mexico	5 / 15 (d)	0 / 5 / 15 (k)(aa)	10
Moldavia	5 / 15 (d)	0 / 10 (k)	10
Mongolia	10	0 / 10 (k)	5
Morocco	7 / 15 (d)	10	10
Netherlands	5 / 15 (a)	0 / 5 (k)	5
Nigeria	10	0 / 10 (k)	10
Norway	5 / 15 (d)	0	0 / 10 (f)
Pakistan	15 (j)	0 / 20 (k)	15 / 20 (n)
Philippines	10 / 15 (d)	0 / 10 (k)	15
Portugal	10 / 15 (o)	0 / 10 (k)	10
Romania	5 / 15 (d)	0 / 10 (k)	10
Russian Federation	10	0 / 10 (k)	10 (w)

Country	WHT in Poland (%)		
	Dividends	Interest	Royalties
Singapore	0 / 10 (r)	0 / 10 (k)	10
Slovak Republic	5 / 10 (c)	0 / 10 (k)	5
Slovenia	5 / 15 (d)	0 / 10 (k)	10
South Africa	5 / 15 (d)	0 / 10 (k)	10
Spain	5 / 15 (d)	0	0 / 10 (f)
Sri Lanka	15	0 / 10 (k)	0 / 10 (l)
Sweden	5 / 15 (d)	0	5
Switzerland	5 / 15 (d)	10	0 (y)
Syria	10	0 / 10 (k)	18
Tajikistan	5 / 15 (d)	10	10
Thailand	19 (t)	0 / 10 / 20 (k)(m)	5 / 15 (f)
Tunisia	19 (t)	0 / 10 (k)	18
Turkey	10 / 15 (d)	0 / 10 (k)	10
Ukraine	5 / 15 (d)	0 / 10 (k)	10
United Arab Emirates	0 / 5 (z)	0 / 5 (k)	5
United Kingdom	0 / 10 (dd)	5	5
United States	5 / 15 (g)	0	10
Uzbekistan	5 / 15 (c)	0 / 10 (k)	10
Vietnam	10 / 15 (d)	10	10 / 15 (q)
Yugoslavia	5 / 15 (d)	10	10
Zimbabwe	10 / 15 (d)	10	10

(a) The lower rate applies if the company receiving dividends owns at least 10% of the payer.
(b) The lower rate applies if the company receiving dividends owns at least 15% of the payer.
(c) The lower rate applies if the company receiving dividends owns at least 20% of the payer.
(d) The lower rate applies if the recipient of the dividends is a company that owns at least 25% of the payer. Under the Ireland treaty, if Ireland levies tax at source on dividends, the 0% rate is replaced by a rate of 5%.
(e) The lower rate applies if the company receiving dividends owns more than 30% of the payer.
(f) The lower rate applies to royalties paid for copyrights, among other items; the higher rate applies to royalties for patents, trademarks and industrial, commercial or scientific equipment or information.
(g) The lower rate applies if the recipient of the dividends is a company that owns at least 10% of the voting shares of the payer.

(h) The lower rate applies to royalties paid for the use of, or the right to use, industrial, commercial or scientific equipment.
(i) The lower rate applies to cultural royalties.
(j) This rate applies if the recipient of the dividends is a company that owns at least one-third of the payer.
(k) The lower rate may apply to, among other items, interest paid to government units, local authorities and central banks. In the case of certain countries, the rate also applies to banks (the list of exempt or preferred recipients varies by country). The relevant treaty should be checked in all cases.
(l) The 0% rate applies to royalties paid for, among other items, copyrights. The 10% rate applies to roy alties paid for patents, trademarks and for industrial, commercial or scientific equipment or information.
(m) The 20% rate applies, if the recipient of the interest is not a financial or insurance institution or governmental unit. The treaty should be checked in every case.
(n) The lower rate applies to know-how; the higher rate applies to copyrights, patents and trademarks.
(o) The 10% rate applies if at the time of distribution of the dividend the recipient holds not less that 25% shares of the distributing company, for an uninterrupted period of 2 years. Otherwise the tax is 15%.
(p) The lower rate applies to royalties paid for the following: copyrights; the use of or the right to use industrial, commercial and scientific equipment; services comprising scientific or technical studies; or research and advisory, supervisory or management services. The treaty should be checked in all cases.
(q) The lower rate applies to know-how, patents and trademarks.
(r) The lower rate applies to certain dividends distributed to government entites.
(s) The 0% rate applies if the beneficial owner of the dividends is a company that holds directly at least 25% of the capital of the payer of the dividends for at least one year and if the dividends are declared within such holding period.
(t) The 5% rate applies to dividends paid to pension funds or other similar institutions operating in the field of pension systems. The 15% rate applies to other dividends.
(u) Because the rate under the domestic law in Poland is 19%, the treaty rate of 20% does not apply. The lower rate applies to fees for technical services.
(v) The 10% rate also applies to fees for technical services.
(w) The 20% rate also applies to certain services (for example advisory, accounting, market research, legal assistance, advertising, management and control, data processing, search and selection services, guarantees and pledges and other similar services).
(x) The rate is 10% if Switzerland imposes a withholding tax on royalties paid to nonresidents (currently, Switzerland does not impose such a tax).
(y) The lower rate applies if the owner of dividends is government or governmental institution.
(z) The 5% rate applies to interest paid to banks and insurance companies and to interest on bonds.
(aa) Because the rate under the domestic law in Poland is 20%, the treaty rate of 22.5% does not apply.
(bb) The treaty has not yet come into force. (bb) The lower rate applies if the recipient of the dividends is a company that owns:
a. at least 25% of the payer, or
b. at least 10% of the payer if the value of investments amounts at least to € 500,000 or its equivalent.
(cc) The 0% rate applies if the beneficial owner of the dividends is a company that owns at least 10% of the share capital of the payer of the dividends for an uninterrupted period of at least two years.

About PAIiIZ

Polish Information and Foreign Investment Agency S.A. (PAIiIZ) was established in 2003, as a result of a merger between the Polish Agency for Foreign Investment and the Polish Information Agency.

PAIiIZ's activities include:

- increasing the inflow of foreign direct investments to Poland;
- encouraging foreign companies to invest in Poland;
- assistance in the selection of attractive investment locations;
- advisory services at each stage of the investment process;
- assistance in the interpretation of legal procedures and regulations;
- providing full access to the economic information;
- creating a positive image of Poland in the world and the promotion of Polish products and services through the organization of conferences, seminars and exhibitions, publishing books on economic topics, organization of publicity campaigns and cooperation with the media.

Our Agency's task is to present to different companies interested in investing in the region the favorable factors of conducting business activity in Poland.

PAIiIZ offers foreign investors quick access to information and assistance throughout the whole investment process.

The Agency also supports Polish entrepreneurs abroad and promotes the export of Polish products and services on foreign markets.

About MDDP

MDDP has provided professional advisory services for foreign and domestic investors planning to do business in Poland. We provide comprehensive support at each stage of the investment. We combine international experience with a deep knowledge of legislation and the realities of the Polish market.

MDDP provides services to leading international companies, the largest Polish enterprises from all sectors of the economy as well as individual clients. Our clients include five out of the first ten Fortune Global 500 firms.

The quality of our services is widely appreciated. The following rankings, both Polish and foreign, show MDDP as the leading consulting firm in the Polish market.

MDDP is one of the biggest Polish companies providing a full range of advisory services, which is why we offer our customers a full range of specialized services:

MDDP Tax Advisory comprising over 70 experts in VAT, customs duties, excise tax, income taxes, international taxes as well as tax and court litigation.

MDDP Law Advisory provides a complete legal support necessary to conduct business in a reliable and effective way. The firm specializes in claims for damages caused by illegal actions of the state.

MDDP Business Consulting implements projects aimed at creating the best solutions for the functioning and development of our Clients. Our consultants have extensive experience in providing business and strategic advice to firms.

MDDP Finance & Accounting Solutions is a team of experts with years of experience in international advisory firms operating in the Polish market. MDDP Finance & Accounting Solutions offers

comprehensive solutions in financial management, accounting policies and IFRS implementation.

MDDP Outsourcing provides services related to outsourcing of accounting functions as well as HR and payroll services. Our Clients are offered services for both simple and sophisticated accounting processes.

MDDP Audit offers audit services in terms of reporting and financial and management accounting.

MDDP Business Academy organises training sessions and conferences on tax law, accountancy, as well as management and finance, dedicated to particular business sectors.

Invest in Poland

www.mddp.pl