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Preface

Poland can be described as a highly promising country for foreign investors. The World Rank group ranked Poland at 32nd place out of 189 economies worldwide in terms of ease of doing business. Polish economy is safe for long-term planning with a low risk of financial crisis, offering investment opportunities in connection with the modernization of infrastructure and introduction of modern technologies in the enterprise. In times of global crisis Poland has strengthened its position all over the continent.

Poland, similarly as PRC has been on a path of rapid economic growth. Moreover, China is seen in Poland as the synonym of economic success. The favourable political climate ought to be transformed into even more sophisticated investment and business cooperation. Poland is one of the fastest growing economies in the entire Europe. In fact it was the only country to avoid the recession in 2009. So besides the economic growth, another reason to invest in Poland is the stability of economy.

That is why multinational companies are inclined to choose Poland as the location for either their new investments or reinvestments in Europe. In fact, Poland’s investment potential is confirmed in countless international rankings and reports. Just to name a few, according to Bloomberg’s 2014 ranking, Poland is the best country to do business in the region. Similarly, AHK’s business attractiveness survey as well as the E&Y’s investment attractiveness survey 2015, confirm that Poland is the most attractive country in CEE region for investment and business. Moreover, according to UNCTAD 2015, Poland moved into the World TOP 20 in terms of FDI inflow in 2014.

To summarize, there are the main reasons why to invest in Poland:

1. Large, diverse and entrepreneurial population. Poland has the biggest consumer market (ca. 40 M people)
2. Qualified and competitive labour force. Poland has about 470 academic centers and that’s why well-educated specialists and qualified workers are very available.
3. Centrally located. Poland’s location in the center of the Europe makes the country perfect investment destination both from Eastern and Western parts of the continent.
4. Labor costs. Labor costs are still much lower than in other European countries.
5. Massive inflow of EU’ structural funds. Poland is the biggest beneficiary from the EU budget.
6. Geopolitical stability based on the EU and NATO membership.
Chapter 1. An overview of the country

1.1. Poland’s geography and climate

The Republic of Poland (Rzeczpospolita Polska) is one of the largest countries in Central Europe, and 6th largest in the EU in terms of population, bordering Russia, Lithuania, Belarus, Ukraine, Slovakia, the Czech Republic and Germany. Its northern frontier on the Baltic Sea gives it easy access to Scandinavian and North Sea ports. Poland’s shape is roughly square, measuring 400-440 miles across. It is emphasized that Poland is the gateway to the EU from the East. The capital, Warsaw, is situated in the center of the country. Poland’s surface area of 120,727 sq. miles ranks eighth in Europe. Population of Poland constitutes over 40% of the whole population of CEE countries.

Climate

The climate in Poland is determined mainly by the country's geographical location and geography. The average annual temperature in Poland is about 8°C/46°F and varies for the regions of Poland depending on height above sea level and distance from the Baltic Sea. In the summer, for instance, temperatures are lower in northern Poland because of the Baltic Sea. The lowest temperatures are in the mountains and the highest are in western and central Poland.

Administrative districts and population

The administrative division of Poland has been based on three levels of subdivision. The territory of Poland is divided into voivodeships (provinces); these are further divided into powiats (counties), and these in turn are divided into gminas (communes or municipalities). Major cities normally have the status of both gmina and powiat. Poland currently consists of 16 voivodeships, 379 powiats (including 65 cities with powiat status), and 2,479 gminas.

Poland, with 38,544,513 inhabitants, has the sixth largest population in the EU. Poland historically contained many languages, cultures and religions on its soil, including Germans, Belarusians or Ukrainians.

1.2. Natural resources

Poland has substantial agricultural and mineral resources. It has the world’s fifth-largest proven reserves of hard and brown coal. In recent years there has been an active research regarding the shale gas and its fracking remains as an open issue in the forthcoming time.

Poland's main agricultural crops are wheat and other cereals, potatoes, sugar beets and fodder crops. Poland is a leading exporter of apple concentrate and is among the world's leading producers of berries, cabbages, and carrots. Due to Poland’s favorable geographical position and temperate climate utilized agricultural area amounts to more than half of Poland's surface (16.3 million hectares). In addition, over 9.1 million hectares are forested, making sawn timber an important resource.
Chapter 2. An overview of the economy

2.1. Overall economic situation

Poland’s economy as opposed to other European countries is marked by the exceptional
growth dynamics, and extraordinary shock resistance as well as stability. It was the only one
to avoid the recession, and an average income per capita tends to the systematic growth
equaling nearly 70% of the old EU countries average.

According to the IMF, Polish economy developed in 2014 at the rate of 3.3% that is much
faster than the euro zone (0.9% average). It is forecasted that Poland’s GDP will increase by
3.5% in 2015, in contrast to 1.5% in the euro zone.

The gradual process of economic modernization and structural reforms that has started in
1989 is being continued. Polish economy becomes more and more integrated with the World
economy. Polish enterprises are strongly integrated into the European chains of production.
Moreover, Polish authorities put forward the assurance of solid foundations of business and
enterprise as a priority in their public agenda. This difficult aim is achieved through ensuring
of transparent and stable terms of conduct of economic activity.

To summarize, Polish economy has been developing in a stable speed for 25 years now. It is
the 6th biggest economy in the European Union. Fact that Poland was the only country in
Europe that wasn’t hit by the recession of the 2008-2010 crisis, tells about exceptionally
healthy foundations of its economy. Now the main pillars of the economy growth is export,
EU’s funds, FDI and the domestic consumption. What is more Poland, long a marginal
European economy, is poised to become Europe’s new growth engine.
Chart 1. Changes of GDP in Poland and Euro zone 1997-2016

Source: Eurostat, 2015

Chart 2. GDP change in CEE countries 2004-2014

Source: Eurostat, 2015
Facts sheet:

- GDP per capita: 68% of the EU average,
- GDP value: USD467 billion in 2014 (current prices),
- Economic growth: 3.4% GDP growth in 2014,
- Inflation rate in 2014: 0.1%,
- Exports USD: 218.9 billion in 2014,
- Public debt/GDP: 50.1% (at the end of 2014).

Map 1. Public debt in the EU area as % of GDP

Source: Economist, 2015

2.2. Industrial structure

Main industries in Poland are machinery manufacturing, iron and steel, mining coal, chemicals, ship building, food processing, glass.

An important advantage of the Polish economy is the high sectoral diversity with several strong industries accelerating the production. These include the automotive industry, which is a solid foundation for the economy of Poland.

Poland goes up in the ranking of the best locations for production. In Cusman&Wakefield’s 2014 Manufacturing Index, Poland is ranked 13th globally.
Poland is among the TOP 30 states with the highest industrial production. It's about three places higher compared to the previous ranking. In Europe a higher position was attained only by Russia, Turkey and Switzerland.

Thanks to the flexibility and creativity of Polish workers, effective cost structures and healthy demand for vehicles and parts thereof produced the industry came out of the turbulent times almost intact. The three major producers of cars, several manufacturers of buses and hundreds of suppliers have created a solid industrial base. Out of 40 factories of cars and engines located in Central and Eastern Europe (CEE) 16 is located in Poland.

There are several reasons to invest in the automotive industry in Poland:

- the availability of skilled labour in many automotive-intensive regions,
- easy and quick access to major vehicle manufacturers and automotive suppliers in Central and Eastern Europe and Western Europe,
- dozens of potential locations offering the very best in Central and Eastern Europe conditions for the production and the research & development centres.

The above factor apply equally to other industries including household appliance sector, food processing, electronics or aviation industry.

Poland is the largest producer of household appliances in Europe. In 2013 Poland overtook the previous leaders: Italy (in terms of volume) and Germany (in terms of value). Over 85% of household appliances is intended for export.

It should be noted, that also the electronic industry is one of the most vibrant. The sector has proven to be very resistant to the economic crisis. Having said that, Poland is considered as one of the top European manufacturers of television sets, as well as an important market for such commodities.

Aviation industry in Poland is a relatively new sector, but one of the most advanced and rapidly developing. There are over 140 aerospace and aerospace-related companies in Poland with annual sales of EUR 800 million, and over 24 thousand of employees in total operating in Poland. The majority of these are small and medium-sized enterprises (SMEs), companies with foreign capital, and a small group of enterprises with minority state shareholding. Around 80% of aerospace plants are located in south-eastern Poland in one of three aviation clusters. 90% of aviation production is exported.

Business process outsourcing is also one of the most rapidly developing industries in Poland. Over the last 5 years, Poland has become a leading destination for offshoring services in Europe. Currently there are around 500 BPO/SSC centres in Poland, which employ over 150 thousand people. Needless to say that currently approximately 40% of all BPO centres in CEE region are located in Poland. A number of the most recognizable brands are already present with their finance & accounting, research & development or IT centres in Poland.

Last but not least, Poland is the 6th largest food producer in the EU with total sales of around EUR 40 billion and food industry is one of the biggest Polish industrial sectors.
2.3. International trade

Poland is reliable and trustable partner on the international arena. Prove of that is its belonging to the international organizations. In 1989 was the beginning of economic changes in Middle Europe

- 1989 beginning of economic changes in Middle Europe
- 1991 opening of the Warsaw Stock Exchange
- 1995 affiliation with WTO
- 1996 affiliation with Organization for Economic Co-operation and Development (OECD)
- 1999 affiliation with North Atlantic Treaty Organization (NATO)
- 2004 affiliation with the European Union (UE)
- 2007 affiliation with the Schengen area
- 2015 affiliation with the Asian Infrastructure Investment Bank (AIIB)

World trade flows, measured in terms of import volumes, continued to grow at a slow pace in 2014, expanding at about 3.3 per cent, slightly faster than in 2013 but still well below the long-term trend of the decades before the global financial crisis. The eruption of the global financial crisis in 2008 and the subsequent Great Recession in 2009 led to a collapse in world trade flows. Slowdown in the trade growth led to some fundamental changes in the structure of the global economy like the growth of the developing countries comparing to the slow recovering of the developed countries and the increase in post crisis trade protection that is restricting trade growth.

Poland’s economy speeds up after the last deceleration and in 2015, as the European Commission predicts, it will grow by 3.3% compared to 2014, when growth reached 3.4%. Poland maintains a distinctly higher economic growth than the European Union, where the average GDP growth in 2015 is estimated to be 1.4%, which is a notable acceleration compared to 2014, when the EU’s economy developed by 0.8%.

China has played an important role in Polish foreign trade relations demonstrated by a rapid development of bilateral trade, which grew 3.5 times since 2005. Yet the imbalance in exports and imports is drastic – Poland’s exports to China are 10 times less value than of imports, which makes China a partner of strategic importance of Polish economy.
2.4. International investment

Poland is doing well in attracting foreign capital. Last year (2014), Poland ranked 7th in Europe in terms of number of greenfield projects (from scratch) and third in terms of number of jobs created by FDI (15.5 thousand).

Poland goes up in the ranking of the best locations for production. In Cusman&Wakefield’s 2014 Manufacturing Index, Poland is ranked 13th globally.

Poland is among the TOP 30 states with the highest industrial production. It’s about three places higher compared to the previous ranking. In Europe a higher position was attained only by Russia, Turkey and Switzerland.

More specifically, the total value of FDI stock in Poland amounted to EUR 160.5 billion at the end of 2013. The highest cumulative investment outlays were recorded from the following countries:

- Germany (27.5 billion).
- Netherlands (25.9 billion),
- France (19.1 billion).

Chart 3. FDI stock in Poland at the end of 2013 (EUR bn)


What is more important, nearly 90% of the FDI stock in Poland comes from the EU countries. Nevertheless, many companies operate through it’s representatives located in countries such as Netherlands or Cyprus. That is related to the tax optimization procedures. Therefore, the geographical composition of FDI stock in Poland might be slightly different. That includes
countries such as US and China.

Poland has also benefited greatly from joining to UE. In 2007-2013 financial framework the country received 68 billion euro, while in the current 2014-2020 budget Warsaw will receive 105.8 billion euro.

Among the entities set up in 2013 was 1 214 new units so. "Greenfield". The highest share of new entities was observed in activities related to culture, entertainment and recreation - 9.0%, in mining and quarrying - 8.5%, in production and supply of electricity, gas and water - 8.2%

Poland is attractive for companies in running business, which is confirmed by rapid rise in the number of registration of companies with foreign capital in Poland. It is projected that in 2015 the number of new registrations will rise by over 50% year-on-year.

Chart 4. New registrations of companies with foreign capital in Poland

Source: Centralny Ośrodek Informacji Gospodarczej, 2015.
Chart 5. Number of companies with foreign capital and their employment in Poland 2008-2013

Source: GUS, 2015.

Map 2. Examples of companies with foreign capital in Poland

Source: PAiiIZ, 2015.
2.4.1. Case study: Volkswagen Września

The decision to locate the Volkswagen factory in Września is the first such significant greenfield automotive industry investment in Poland since the launch of the General Motors factory in Gliwice in 1998. It is also one of the largest to date automotive investments in Europe in the 21st century. Therefore, it is even more important that it was located in Poland. It is also the biggest project so far serviced by PAiPiZ. During the negotiation process, the company was presented with more than 22 greenfield offers, of which 11 potential locations were visited.

The plant will be built in Września in the grounds of Wałbrzych SEZ on an area of 220 hectares and will produce VW Crafter light commercial vehicles. The value of the investment will be EUR 800 million, and the number of new jobs created will reach at least 2300. The project has been approved by the Ministry of Economy (ME) as a project of vital importance to the economy and has received financial support from the state budget in the amount of PLN 62.5 million. According to the plans of the German company, the project will be implemented in phases and the first cars will leave the factory in 2016. Ultimately, the plant is to produce 100 thousand cars per year.

The creation of the plant also brings additional benefits:

- significant external effects - an increase in orders from Polish co-operators;
- a significant impact on the labour market (creating from 4 to 7 jobs at co-operators for each new job created in the plant);
- the possibility of obtaining new investment projects of company’s sub-suppliers.

The plant in Września will be another VW’s investment in Poland. The production activities of the Volkswagen production plant in Poznan are located in three places. In Poznan – Antoninek, Wilda district and in Swarzędz near Poznań. Further locations are Volkswagen Motor Poland Sp. z o.o. in Polkowice, Volkswagen Bank Polska in Warsaw, Sitech Sp. z o.o. Polkowice and Głogów, MAN Truck & Bus Polska Sp. z o.o. in Sady near Poznań, Niepołomice, Starachowice and Nadarzyn near Warsaw and Scania Production Słupsk S.A. in Słupsk and in Nadarzyn.

In March this year, VW launched at the expense of EUR 250 million a new production line in Polkowice, in the Legnica SEZ, producing diesel engines. It was another significant investment
of the German automotive concern this year in Poland.
It is worth mentioning that VW is committed to the development of professional training. On the initiative of Volkswagen Poznań, County Office and School Complex No. 1 (ZespółuSzkół nr 1) in Swarzędz created a class with extended curriculum in mechatronic fitting, where students are underage workers of Volkswagen Poznań. VW also cooperates with Poznań University of Technology, Adam Mickiewicz University, and the University of Economics in Poznań.

2.4.2. Case study: FaureciaGrójec R&D Center S.A.

Many companies operating in the automotive industry in Poland have research and development centres. Among vehicle manufacturers, research and development centres are as follows: VW Poznan, Solaris, AMZ Kutno, Fiat Auto Poland, and General Motors Manufacturing Poland. Among the supplier companies of the automotive industry Delphi, WABCO, TENNECO, Valeo, TRW or Sitech and Faure can be mentioned.

Map 3. Selected R&D centres of the automotive industry in Poland (mapa)

Source: Automotivesuppliers.com.

Faurecia is an international company operating in the automotive industry, which has been present in Poland since 1996. FaureciaGrójec R&D Center S.A. has been operating since 2002, and its engineers have been cooperating for many years with Faurecia Group research centres located throughout the worldwide.

The Faurecia centre in Grójec develops and implements a new model of car chair track, is
working on the front seats for Porsche, as well as seats for Ford.

Faurecia also works actively with universities, including Warsaw University of Technology and the Lodz University of Technology. The scope of cooperation includes commissioning of research (metallography, chemical composition, strength tests), the development of tool designs and consultation in the selection of materials and surface treatment. There are also scholarship and internships for students.

In summary, collaboration of automotive companies and scientific circles can potentially create synergies, improving the competitiveness of the industry. Universities have extensive research facilities, access to research equipment and technological innovations, they can gain experience in cooperation with industry. This also gives a broad overview of the real needs of producers, which can be solved in an innovative way by co-financing of research by industry. Research can thus be commercialised, and the automotive industry is stimulated to further development. These actions are part of a strategy to improve the competitiveness of the European economy under the Horizon 2020 programme.

2.5. Poland’s outbound investment

Poland not only has gone through the global recession with constant economic growth, but Polish companies have developed, accumulated resources and capital that allowed them to invest abroad. Polish companies still focus on the European markets, but there are several examples of globally oriented enterprises such as KGHM, Kopex, Selena, Fakro, Asseco, LPP or Solaris and Pesa. According to PAiiIZ database, there are over 1 000 investment projects of companies with Polish capital abroad. What is more, the process is still accelerating and Polish enterprises are steadily searching for partners abroad.

At the moment, Chinese investments represent only 0.25 per cent of all foreign investment in Poland. But China constitutes a great potential of its varied and large market as a potential export destination for Polish manufacturers.

It also has great potential as a source of investment. Chinese investments are active in such fields as information technology and telecommunications, scientific research centers, the food industry and food processing, that is why PAiiIZ actively promotes Poland as a great investment destination for Chinese enterprises.

Intensifying cooperation with China

China is one of the main trading and investment partners of Poland. At the end of 2013 more than 850 companies with Chinese capital were operating in Poland and Chinese FDI stock in Poland amounted to USD 267.9 m. On the other hand, Polish FDI stock in China equaled to USD 71.5 m.

Poland is facilitating two direct railway cargo connections launched between Poland and China: Lodz-Chengdu and Warsaw-Suzhou (operate once a week). There are also sea route between DCT Gdansk (850 thousand of TEU containers in 2014) and Gdynia (600 thousand TEU).
Among Polish companies in China we can point out following ones: Fasing – coal and mining, Selena – building chemistry, Rafako – energy, Kopex – mining, Bioton – biotechnology and pharmaceutical.

Main Chinese companies in Poland include: Nuctech, Nexteer Automotive, Dragon Power, XCMG Construction Machinery, Haier Group or Admiral Overseas (AOC).
Chapter 3. Investment environment

3.1. Infrastructure

Transport in Poland involves air traffic, waterways, roads and railroads. As a country located at the 'cross-roads' of Europe, Poland, with its highly developed economy, is a nation with a large and increasingly modern network of transport infrastructure. The country's most important waterway is the river Vistula. The largest seaports are the Port of Szczecin, Świnoujście, Gdynia Gdansk. Poland also invests heavily in infrastructure projects in areas of railway infrastructure, airports and energy transmission infrastructure.

Map 4. Road infrastructure in Poland

Map 5. Railway infrastructure in Poland


Map 6. Airport infrastructure in Poland, 2015

Source: PAiIiZ, 2015.
3.2. Financial system

Polish financial system remains stable. This is important because the stability of the financial system is a necessary condition for ensuring sustainable economic growth. The stability of the banking system is of particular importance for financial system stability. Poland with its relatively low public debt level at 51% of GDP in 2014, remains one of the brightest economic spots in the EU.

Chart 6: Credit ratings, 2015

Map 7. Business default risk 2015

3.3. Science and technology innovation

For many years Poland encourages investors to locate R&D centers in Poland, which has become one of the pillars of the Polish economic strategy. Many multinational enterprises (MNEs) have decided in recent years to expand its activities in Poland by opening R&D centres.

Poland possesses an extensive base of scientific research, a broad scientific staff as well as it offers numerous incentives and grants in the R&D sector.

Positive experience and excellent results of companies with their R&D centers in Poland make the companies to increase the scope and scale of activities. Among them are companies such as: Samsung, NSN, Kainos, FMC Technologies or Polish companies such as Transition Technologies or SMT Software. The last two companies have opted for a smaller selection of academic centers, such as Bialystok and Lublin for the development of their software development centres.

In recent years, there has been a surge of interest in opening up R&D centers both in the production (example: Delphi in Krakow or Rockwell Automation in Katowice) and business services sector, where there was created more than 500 centres, employing over 33 thousand of researchers and scholars.

Map 8. Examples of R&D centres in Poland

Source: CridoTaxand, 2014.
High quality of secondary and tertiary education

Polish pupils score very high in the international OECD PISA tests. The results for 2015 indicate that Polish pupils achieved far higher results than the OECD average, noting 11th place globally, and 5th in Europe.

Chart 7. PISA tests results, 2015

Poland enjoys free access to high quality education. The ratio of students per 10 thousand people is one of the highest in Europe. Moreover, both Polish students learn and have a good command of foreign languages including English, German or French.

Chart 8. Number of students per 10 000 people in selected countries, 2015

Among the most popular subjects, there’s been a steady rise in the ratio of STEM students.
This indicates, that there’s a high quality human capital available for both manufacturing, R&D and service sectors.

**Chart 9. Share of STEM students to the whole number of students in Poland**

![Chart showing the share of STEM students in Poland from 2010 to 2014.]


The main academic centres in Poland are localized in the largest cities Warsaw, Kraków, Poznan, Tricity and Wroclaw.

**Map 9. The main academic centres in Poland**

![Map showing the distribution of academic centres in Poland.]

3.4. Labor market

Poland offers a great variety of highly skilled, flexible and educated labour capital. Poland is the 6th largest country in the EU in terms of population and is the most populous country of the CEE region, constituting 39% of the whole population of the region. More than 64% of Poland’s population is younger than 49 years old and 10.7 m Poles are less than 25 years old.

**Chart 10. Population of CEE countries (%)**

![Chart 10. Population of CEE countries (%)](image)


**Chart 11. Population by age groups in Poland (%)**

![Chart 11. Population by age groups in Poland (%)](image)

Source: GUS, 2015.
Poland despite rapid economic growth is still facing unemployment rate of 7.7% at the end of June 2015. But the situation is far more optimistic than for the whole EU, where the average unemployment equals to 9.6%.

Map 10. Unemployment rate in Poland by regions in 2015

Source: GUS, 2015.
Poland offers a large supply of skilled workers of both lower and higher level. Mechanical specialisations are among the most popular in the context of vocational education, and engineering majors are increasingly popular in higher education. In 2013, the title of mechanical technician was granted to 4061 higher secondary school graduates and technical schools, while the professional title of the technician of mechanics and electrician mechanic of vehicles was granted to 5020 graduates of vocational schools\(^1\).

In Poland, there are also 18 public technical schools of higher education and several non-public ones offering courses in manufacturing-related majors\(^2\). At the end of 2013, Polish universities were attended by 1 549 877 people. It is important to note that the number of students in the provinces with highly developed manufacturing industry is relatively high (Silesian Voivodeship (13 882), DolnośląskieVoivodeship (14 525) and WielkopolskieVoivodeship (9 477)).

Also noteworthy are the plans to support vocational education. The Ministry of National Education (MEN) wants to allocate resources to support vocational education, including the promotion of cooperation between employers and schools and educational institutions of various types and levels in the vocational educational, testing and counselling process. By 2020, the ministry plans to allocate EUR 800 million to support vocational education, and the method of allocating the majority of these funds is to be determined by the regions. The so-called dual system of education, that is, one in which students learn their profession directly in the enterprises is to be disseminated. Also activities related to the functioning of the Integrated Qualifications Register are planned, including the inclusion to the integrated system qualifications originating outside of the education system and the system of higher education\(^3\).

Labours costs in Poland are among the most competitive in Europe. In Poland, businesses can find very good quality of labour force at a very affordable costs, that are much lower than found in the Western Europe.

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\(^1\) Central ExaminationCommission (CKE), 2014.
\(^2\) Information Processing Centre (Ośrodek Przetwarzania Informacji), March 2014.
Other investment advantage

Investment climate in Poland remains highly valued by foreign investors. According to the AHK 2015 Investment Climate Survey in CEE, Poland is again chosen as the most attractive and competitive country in CEE. The biggest advantage Poland is the market size and human capital, as well as the economic and political stability. Investors highest - on 4.2 points (on a scale of 1 to 5) - assessed the size of the Polish market.

In the opinion of foreign investors strengths of the Poland lie in the availability of skilled labor, availability of subcontractors and raw materials and the quality of investment sites offered. An advantage of Poland boils also down to the competitive labor costs.
Map 11. Investment attractiveness of CEE region according to AHK survey 2015

Source: AHK 2015.

Chart 14. Positive investment factors in Poland according to German investors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability and quality of suppliers</td>
<td>3.58</td>
</tr>
<tr>
<td>Quality of higher education</td>
<td>3.69</td>
</tr>
<tr>
<td>Productivity and motivation of the employees</td>
<td>3.6</td>
</tr>
<tr>
<td>Workforce skills</td>
<td>3.76</td>
</tr>
<tr>
<td>EU membership</td>
<td>4.49</td>
</tr>
</tbody>
</table>

Source: German-Polish Chamber of Commerce, 2015.
Chinese local institutions in Poland

- **Polish-Chinese Chamber of Industry and Commerce** is an organization whose mission is to develop business environment, promote trade and create investment opportunities, encourage the development of contacts with other companies as well as promote both Polish and Chinese culture.

- **Polish - Chinese center of commerce** is the only Bilateral Chamber, whose mission is to promote the development of Polish-Chinese relations at the level of enterprises, organizations and economic Polish and Chinese institutions. The Chamber was established in 2004. The establishment of the Chamber was a response to the growing trade between Poland and China.

- **Chinese Embassy in Poland**
Chapter 4. Investment laws and policies

4.1 Introduction of laws and regulations system

Poland is democratic republic with many political parties. In 1997 the Constitution, the supreme law of Republic of Poland, was enacted. Due to its regulations, there is separation and balance between executive (the President and the Council of Ministers), legislative (the Parliament or National Assembly) and judicial powers (courts and tribunals). The Polish law is assuring freedom of economic activity, any limitation of which should be based on law.

The Parliament

There are two chambers which are together called the Parliament. First is the lower house-Sejm, in which comprises 460 deputies. They are elected through a proportional voting system in a general election. Second is the upper house- Senat, comprises 100 senators. They are elected through a majority voting system. The both deputies and senators are elected for term of office of 4 years. Members of both chambers are forming also the National Assembly, which has the right to adopt new Constitution, to receive the oath from new elected President and when an indictment against the president is brought to the State Tribunal.

The legislation initiative is granted based on the Constitution to Sejm, Senat, President, the Council of Ministers and any group of at least 100,000 citizens. After the acts are passed by Sejm, Senat has to right to approve or reject these acts, however the Sejm is deciding about final version of the new law.

The President

The President is the head of Polish state, the supreme representative of the country in foreign affairs and at the same time also head of the armed forces. He nominates candidates for the post of Prime Minister and the cabinet according to the Prime Minister's proposals. The President is elected in a general election by all Polish citizens. The term of office takes five years and the President can spend a maximum of two terms of office. He has also the right to dissolve the parliament if it is unable to form the Government or approve the draft of the State Budget. What is also important, the President also has the right to veto acts approved by Parliament (although this veto can itself be overruled by the Sejm with a 3/5 majority vote).
Public Administration

There is central and local administration in Poland: the Office of the President of the Republic of Poland, the Council of Ministers, with its individual ministries, and the structures comprising the central administration.

The Council of Ministers is the executive body that conducts the current state policy, ensuring public order as well as the internal and external security of the state, approving the draft of the budget, ensuring the execution of the law, protecting the interests of the State Treasury. At present, the Council of Ministers consists of a Prime Minister (who is the President of Council of Ministers), two Vice Presidents, and representatives of 18 Ministries.

The administrative division of Poland is based on three levels of administration: voivodeships/ provinces (województwa), poviats (counties/powiaty) and communes (gminy).

Administrative authority at voivodeship level is shared between a government-appointed governor, called the voivode (usually a political appointee), an elected assembly called the sejmik, and an executive chosen by that assembly. The leader of that executive is called the marshal / marszałek. Each voivodeship is divided into a number of smaller entities known as powiat (county). This includes both poviats proper (known as land counties, Polish powiatyziemskie), and cities with powiat status (city counties, Polish powiatygrodzkie). Land counties have an elected council (radapowiatu), which elects an executive headed by the starosta. In city counties the functions of these institutions are performed by the city’s own council and executive/mayor or president.

The third level of administrative division is the commune (also called municipality or the gmina). A powiat is typically divided into a number of gminas (between 3 and 19), although the city counties constitute single gminas. A gmina may be classed as urban (consisting of a town or city), urban-rural (consisting of a town together with its surrounding villages and countryside), or rural (not containing a town). A gmina has an elected council as well as a directly elected mayor (known as prezydent in large towns, burmistrz in most urban and urban-rural gminas, and wójt in rural gminas).

Legal system in Poland

The Constitutional determines organization and functioning of the courts in Poland cover the legal and organizational status of court authorities, proceedings before courts and the legal status of the judge. The Polish Constitution provides for dualism of the judiciary authority. It is composed of courts and tribunals. Courts are: the Supreme Court, common courts, administrative courts, including the Supreme Administrative Court, military courts. For investor usually the most meaningful are common courts. Proceedings before Polish courts take place in two instances. Common courts are divided into:
- District courts (established for one or more communes, and, in justified cases, more than one regional court may be established for a single commune)
- Regional courts (established for the area of jurisdiction of at least two regional courts)
- Appeal courts (established for the area of jurisdiction of at least two district courts)

The most important recent legal changes

Below are flagged recent legal changes, important for investors:

1) Restructuring Law

On April 9, 2015, a new Restructuring Law was adopted by Sejm (the lower house). The main goal of the new law is to introduce an effective mechanism to restructure debtor’s business and prevent its liquidation. In general, the continuation of a business should be more favorable to creditors, it will preserve jobs and allows the uninterrupted execution of contracts. Below are proceedings which companies in financial difficulties will be able to use:

- procedure for approval of a plan after creditors’ votes;
- accelerated arrangement procedure;
- ordinary arrangement procedure;
- rehabilitation proceedings.

2) National Court Register (KRS)

On December 1, 2014 pursuant to the new version of the Act, all entities registered in the KRS will be obliged to make their subjects of economic activities revealed in the KRS, compatible with new version of the Act together with the nearest writing to the KRS (no later than within 5 years). The limitation of subjects of economic activities revealed in the National Court Register does not determines that entities entered into the KRS would have to amend their Articles of Association, which could still indicate full subjects of the entities’ economic activities. Entities subject to entry into the registry of entrepreneurs could indicate, in the form to the KRS, only 10 items of their subjects of economic activity, including one in the category of subclass, designated in accordance with the Business Classification (PKD).

Amendment foreseen also changes to the procedure of obtaining NIP (tax identification number) and no. REGON (statistical identification number). The abovementioned aims ant facilitating and simplification of establishing businesses.
4.2. Investment-related laws and policies

1. Permits to conduct business activity

Generally in Poland there is freedom of economic activity, what was also defined in the Polish Constitution. This freedom can be limited only in situation defined by law. It is important for foreign investors interested in making investments in Poland to check whether special permits to conduct this particular business activity are not required. Such permits are always issued in the form of administrative decision and are needed in order to start the business activity in areas particularly important for the domestic economy, society or public interest. The exact procedure that should be started in order to receive such decision is dependent on the type of economic activity to be undertaken and consequently the type of required permit.

The following types of permits can be distinguished:

- a) Concession,
- b) License,
- c) Permission,
- d) Permit.

Obtaining concession is the most difficult and challenging procedure. The concession shall be obtained by entrepreneurs conducting economic activity in the area of:

1) prospecting or recognizing deposits of mineral resources, extraction of minerals from deposits, non-tank storage of substances and waste storage in a rock mass, including underground mining excavations;
2) manufacturing of and trading in explosives, weapons and ammunition as well as products and technology for military or police usage;
3) manufacturing, processing, storing, transmitting, distributing and trading in fuels and energy;
4) protecting persons and property;
5) broadcasting of radio and television programmes;
6) air transport services.

Obtaining other types of permits: license, permission and permit, is not as complicated as obtaining concession. The entrepreneurs do not have to fulfill as many conditions as in the case of concession. The license shall be needed when conducting business activity connected with road and rail transport. The permission is required for the operation of a payment system or a securities clearing system. At last, the permits are required in areas such as: pension fund, investment fund, postal services, insurance.
2. Acquisition of the real estate by foreigners

According to Polish law, another activity requiring permit when undertaken by the foreigners is buying a real estate. As long as such permit is not issued any legal steps aiming at acquisition of the real estate cannot be taken. The permit is however not needed when the real estate to be purchased is an independent residential premises (e.g. a flat in the apartment house).

The foreigner in Poland is:

1) Natural person without Polish citizenship;
2) Legal person with its abroad;
3) Non-corporate company of persons referred to in points 1 or 2, based abroad, established in compliance with the legislation of foreign states,
4) Legal person and non-corporate commercial company based in the territory of the Republic of Poland, controlled directly or indirectly by persons or companies referred to in points 1, 2 and 3.

In case of the commercial company, the controlled company is, within the meaning of the Act, the company in which the foreigner or foreigners directly or indirectly possess more than 50% of votes at at the meeting of shareholders or at the general meeting.

The acquisition of real estate by a foreigner requires a permit. The permit is issued by way of an administrative decision by the Minister of Internal Affairs, if the Minister of National Defense does not raise any objection, and, in case of agricultural real estates, if the Minister of Rural Development does not raise any objection. The permit is issued upon request of the foreigner if: the acquisition of real estate by the foreigner does not pose any risk to the defensiveness, national security or public order and is not in contradiction with social policy and public health considerations.

Furthermore, the foreigner needs to prove that there are the circumstances confirming its bonds with the Republic of Poland (for example conducting business activity on the territory of Poland). Additionally, the area of the real estate should be justified by needs relating to the nature of the investment.

The application shall be prepared in Polish. To applications prepared in foreign languages the sworn translation to Polish shall be attached. The application should also include information on the purpose of the purchase of real estate.
4.3. Competition law

Competition law aims at protecting the entrepreneurs from actions of their competitors that can result in disruption in the free market economy. Its main goal is to provide the market with conditions favourable for competition development as well as to control the concentration in the market and to penalize anti-competition market players. The most important actions forbidden through the Act on competition law are:

Conclusion of illegal competition-restricting agreements (Article 6) by:

- directly or indirectly fixing prices,
- limiting or controlling production or sales, sharing sales or purchase markets,
- applying burdensome or dissimilar terms and conditions in equivalent contracts with other trading parties, thereby differentiating the conditions of competition for these parties,
- making the conclusion of contracts conditional upon the acceptance or rendering by the other parties of supplementary performance, which has nothing to do with the subject of the contract and has no customary relation thereto,
- restricting access to, or eliminating from the market enterprises not covered by the agreement,
- agreeing terms and conditions of bids by enterprises entering the tender or by those enterprises and the party organizing the tender, in particular with respect to the scope of the works or the price.
- abusing a dominant market position (Article 9), in particular by:
  - directly or indirectly imposing unfair (excessively high or unjustifiably low) prices,
  - limiting production, sales or technical development,
  - counteracting the formation of conditions necessary for the creation or development of competition,
  - imposing burdensome terms and conditions of contracts, resulting in unjustified profits for the enterprise.

Competition law is enforced by the central administrative body - the President of the Office of Competition and Consumer Protection (Prezes Urzędu Ochrony Konkurencji i Kosumentów).

The administrative decisions of the President of the Office related to competition law may be appealed against to a special court set up within the structures of the Regional Court of Warsaw (the Competition and Consumer Protection Court) within two weeks of the date of receipt of the relevant decision. The Competition and Consumer Protection Court decisions may be further appealed to the Supreme Court.

For failure to comply with competition law a system of fines is imposed by the President of the Office. The fines are implemented in case the company enters into anti-competition agreement, abuses its dominant position or proceeds with a merger before obtaining a positive decision from the President of the Office (in the value up to 10% of the total annual revenues of the entity), in case no information or incorrect information was provided during the merger of anti-monopoly inspection proceedings (up to 50 million EUR) or for delay in
compliance with a decision of the President of the Office or Competition and Consumer Protection Court (up to 10,000 EUR for each day). Fines imposed by the President of the Office may be appealed to the Competition and Consumer Protection Court.

4.4. Intellectual Property Law

Intellectual and industrial property law is the field of law that focuses on protecting the authors of an inventory, trademark, industrial design, work of arts etc. by enabling them to have exclusive right to use or benefit from their work in the specified period of time. The most significant subjects of this field of law are patents registration as well as trademark and copyright protection.

2.1. Patent legislation

Poland is a member of the Stockholm Text of the Paris Convention on the Protection of Industrial Property as well as a signatory to the Patent-Cooperation Treaty. The Industrial Property Law regulates the protection of inventions by patents and utility models. Applications are filed with the Polish Patent Office. Polish patent attorneys must represent foreign applicants.

Registered patents are valid for 20 years from the date of filing. The protection right of a utility model is valid for 10 years. Patents are granted after an examination as to whether an invention is new, involves original research and is commercially viable.

The patent or protection right of a utility model gives the owner the exclusive right to exploit the invention on the territory of Poland while it is valid. This exclusive right cannot, however, be abused specifically by applying prohibited monopolistic practices.

Abusing patent rights as well as preventing or eliminating a state of national emergency may be reason enough to apply for a compulsory license. There are no special terms on licenses for this. The owner of a patent or exclusive license has the right to sue for an injunction on account of profits and/or damages. Criminal penalties are foreseen for false marking and infringement.

2.2. Trademarks
Poland is a member of the Madrid Agreement Concerning the International Registration of Marks. Since 1991 Poland has also been a member of the Madrid Agreement on the international registration of trademarks. It became a member of the Protocol for this Agreement in the spring of 1997.

The following kinds of mark may be registered:

- trademark,
- service mark,
- collective mark,
- mutual quality assurance trademark.

A registered trademark is valid for 10-years from the date of filing unless it is proved that the mark has not been used for five consecutive years. The registration may be renewed for the next 10-year period. In the case of infringement, the proprietor or licensee can take legal steps. Protection is extended to names of geographical places and regions, where the name refers to a specific locality or area associated with a particular product and where there is a particular characteristic of the product associated with the name. Foreign applicants have to be represented by a local patent agent in Poland.

2.3. Copyrights

The scope of copyright protection has been considerably broadened of late. The new law covers not only the protection of traditionally understood author’s rights, but also related rights. The law provides for new rights and new owners of those rights. They are now able to decide how the outcome of their work is to be used and are able to derive financial benefits from this outcome. The new owners include producers of sound and video recordings, TV channels, radio stations and artist performers.

The law also provides for a general compensation mechanism of losses incurred by authors, performers, and producers due to uncontrolled mass reproduction for personal use (at home). Producers and importers of VCRs, tape recorders, other audio and video equipment, as well as clean tapes, CDs, etc., must pay a surcharge to the artists, performers and manufacturers amounting to a maximum of 3% of the sales income generated by these products.
3. International trade regulations

Poland was of founding countries of the World Trade organization in year 1995. This international organization was created for purposes of liberalization of the international trade of goods and services, investment policies of the trade support, settlements of trade disputes and the respect for intellectual property rights. Countries- members of WTO are required to adapt domestic legislation to the standards of WTO. It should be noted that WTO has eliminated many barriers between countries and people by reducing tariffs.

Additionally as a consequence of accession to the EU structures, Poland has been required to follow European trade regulations and to replace its domestic trade regime regarding in particular conditions that must be fulfilled by the product to be introduced in the European market, price regulations and how the prices should be fixed in order to maintain the competition in the market, control of goods and eliminating harmful products from the market etc.

3.1. Import/export licensing

The most common questions in reference to the import and export of goods to/from Poland are licenses that might be required, if it is not local trade.

CAP (Common Agricultural Policy) import licenses are required for several products imported from non-EU countries into any country within the EU. Such import licenses, are issued in Poland by the Agricultural Market Agency (AgencjaRynkuRolnego).

An example of another certificates are approvals that must be issued prior to the introduction of goods to the Polish market. This applies to the importers of products that are new to the Polish market, who must request product approval from the National Institute of Public Health – State Institute of Hygiene (NarodowyInstytutZdrowiaPublicznego – PaństwowyZakladHigieny).

Once approval has been granted, the goods may be imported to Poland. However, if a license has already been issued in another EU country, the document is valid in every state, that is a member to EU.

3.2. Customs tariffs
The Customs Service (Służba Celna) has an official Tariff Browser (a module of the Integrated Tariff System – ISZTAR), that provides information on tariffs of goods in international trade. The Browser contains data from the TARIC system (goods nomenclature, duty rates, restrictions, tariff quotas, tariff ceilings and suspensions) as well as national provisions (VAT, excise tax, restrictions and non-tariff measures).

3.3. Customs procedures

The principal roles of the Customs Service include:

- exercising customs control on the international commercial exchange,
- calculating and collecting customs duties and taxes,
- undertaking steps against smuggling and counteracting customs fraud.

While performing these roles, the Customs Service must fulfill a series of duties, the most important, apart from the fiscal function, is the protection of:

- national industry – against goods which would adversely affect the conditions of competition,
- natural environment – against entry of hazardous substances and micro-organisms,
- world fauna and flora – against illegal predatory circulation of endangered species,
- consumers – against the entry into the market, goods which are substandard with relation to Polish norms or whose period of use has expired,
- society – against the entry of goods, items or appliances which are hazardous to life, health and safety of citizens or would jeopardize the country’s security (e.g. weapons, paralyzing gases etc.),
- the State – against the loss of cultural heritage,
- authors, artists, industrial and commercial rights owners – against infringement of intellectual property rights, trademark and patent rights etc.

and control the area of:

- the State’s customs policy instruments, regulating the targets and volumes of international trade,
- the enforcement of national and international regulations relating to prohibitions and restrictions in the international trade, the enforcement of regulations regarding permissible load of vehicles to ensure proper use of roads by carriers, and the enforcement of agreements concerning customs prevention with Poland being a party,
- foreign currency control, including combating so called money laundering.

In order to discharge the above-described roles and responsibilities, the Customs Service co-operates
with the other State’s authorities, such as the Police, border control, general customs inspectorate and tax authorities.
Chapter 5. Investment-related tax system

5.1. Tax system

The tax legislation in Poland consists of:

- The Constitution of the Republic of Poland;
- Acts referring to personal income tax, the corporate income tax, goods and services tax (VAT) and other taxes with executive acts;

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 taxpayer responsibilities. The Minister of Finance may be authorized by an Act to decree regulations. All legislation is published in official publications (i.e. the Journal of Laws and the Official Journal of the Republic of Poland).

The Polish tax system consists of the following taxes:

1. direct:
   - personal income tax - PIT,
   - corporate income tax - CIT,
   - tonnage tax,
   - inheritance and donation tax,
   - tax on civil law transactions,
   - agricultural tax,
   - forest tax,
   - real property tax,
   - transport vehicles tax.

2. indirect:
   - VAT,
   - excise duty,
   - games tax.

Taxes in Poland are managed by following public institutions:

- **Tax office**: Units supervising the collection of taxes in their territories. They also issue individual administrative decisions in tax cases;
- **Fiscal audit offices**: Offices that carry out tax and procedural audits of fiscal accounting;
- **Tax chamber**: Supervise the tax offices and are empowered to review administrative decisions of tax offices and fiscal audit offices;
• **Minister of Finance**: Responsible for Polish budgetary policy and supervision of 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 decisions of the Regional Administrative Courts.

### 5.2. Main taxes

**Personal Income Tax (PIT)**

Foreign individuals arriving in Poland may become Polish tax residents. According to the art. 3 par.1 of the Personal Income Tax Act (hereinafter: Act of PIT), natural persons, if their place of residence is in the territory of the Republic of Poland, shall be liable to pay tax on the entirety of their revenues regardless of the location of their sources (unlimited tax-paying obligation).

Catalog sources of revenues (income), which are subject to personal income tax includes Art. 10 paragraph. 1 of the PIT Act:

- a labour-based relationship and an employment relationship, including a cooperative employment relationship, retirement or disability pension;
- personal services,
- non-agricultural business activity;
- special departments of agricultural production;
- lease, sublease, tenancy, subtenancy and other similar agreements;
- monetary capital and property rights;
- paid disposal of, among other things, real property or parts thereof and real property interests, movables;
- other sources.

An individual with a place of residence in the Republic of Poland is a person who:

- is physically present in the Republic of Poland for more than 183 days during a tax year, or
- has a centre of personal or economic interests in the Republic of Poland (centre of vital interests).

According to the art. 3. 2a Act of PIT natural persons, if their place of residence is not in the territory of the Republic of Poland, shall be liable to pay tax only on income for work performed in the territory of the Republic of Poland under a post-based or employment relationship, as well as other income generated in the territory of the Republic of Poland.
Simultaneously, according to the provisions of the Act of PIT, as revenue (revenue) achieved on Polish territory considered among others income (revenue) from work carried on Polish territory under a service relationship, employment relationship, contract work, cooperative employment contracts, irrespective of the place of payment of salaries. The above provisions shall apply with account being taken of double taxation avoidance agreements, to which the Republic of Poland is a party.

<table>
<thead>
<tr>
<th>Main taxes applicable to individuals in Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income tax - regular progressive rates</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Personal income tax – flat rate</td>
</tr>
<tr>
<td>(may be applied to self-employment if certain conditions are met)</td>
</tr>
<tr>
<td>Dividends</td>
</tr>
<tr>
<td>Interest</td>
</tr>
<tr>
<td>Capital gains</td>
</tr>
<tr>
<td>Inheritance tax</td>
</tr>
</tbody>
</table>

**Obligations of the employer**

As a rule, natural persons, legal persons and organizational entities without legal personality, hereinafter called "employers", shall be obliged as withholding agents to assess and collect in the course of the year withholding income tax from persons, who obtain revenues from those employers under the service based relationship, employment relationship, homework or cooperative employment relationship, cash social security benefits paid by employers, and in work cooperatives - payments with respect to a share in the balance-sheet surplus. The remitter of advance payments shall transfer the amounts of collected tax by the 20-th day of the month following the month in which the tax was collected, to the account of the fiscal
office led by the head of fiscal office competent for the remitter ’s place of residence, and if the withholding agent is not a natural person, for the registered office or place of business if the remitter does not have a registered office, at the same time sending a tax return in accordance with the specified sample.

**Corporate income tax (CIT)**

Pursuant to the Polish tax law, companies having their registered seat or place of management in Poland are subject to corporate income tax ("CIT") on their worldwide income (tax residents). Income derived by residents from sources abroad is generally subject to CIT under the same rules as income earned from Polish sources, usually with a foreign tax credit granted, unless a tax treaty provides otherwise.

Non-residents (companies having their registered seat or place of management abroad) are liable to CIT only with respect to income earned in Poland. The amount of income (loss) is determined on the basis of accounting books, with adjustments made according to tax law.

In general, a calendar year is deemed to be a tax year. However, a taxpayer may change its tax year by notifying the appropriate tax office and indicating a different period as a tax year.

<table>
<thead>
<tr>
<th>Main taxes applicable to companies operating in Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate income tax</strong></td>
</tr>
<tr>
<td><strong>Withholding tax</strong>*</td>
</tr>
<tr>
<td>- Dividends</td>
</tr>
<tr>
<td>- Interest</td>
</tr>
<tr>
<td>- Royalties</td>
</tr>
</tbody>
</table>

*The tax rates of the withholding tax will apply under condition, that the appropriate agreement about avoidance of double taxation with other country does not determine the other tax rate*

**Value Added TAX (VAT)**

Value Added Tax on goods and services is a broad-based tax levied on the supply of goods and services in Poland. Polish VAT regulations are based on EU directives.

VAT is imposed on the supply of goods and the provision of services in Poland, the import of goods into Poland, export of goods, intra-Community acquisition of goods and intra-Community supply of goods unless the transaction is exempt.
<table>
<thead>
<tr>
<th>Rate of VAT</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>23%</td>
<td>standard rate</td>
</tr>
<tr>
<td>8%</td>
<td>is imposed on supplies, such as certain foods, medicines, hotel and catering services, certain transport services, municipal services, etc.</td>
</tr>
<tr>
<td>5%</td>
<td>applies to the intra-community supply of goods, exports of goods, some international transportation and related services. Usually, in order to apply zero VAT rate additional conditions need to be fulfilled.</td>
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**Tax exemption**

- including buildings, structures or parts of thereof (with exceptions), supply of second-hand goods, selected services of financial brokerage, services in education and training, medical care services, supply of undeveloped areas other than building areas

A Polish entity is required to register for VAT purposes once its annual turnover on transactions subject to VAT exceeds PLN 150,000. Foreign entrepreneurs have to register for VAT purposes in Poland before they start any VAT-able activity in Poland (except for limited and expressly listed cases). Based on the Polish Fiscal Penal Code if an entity obliged to register for VAT purposes fails to fulfil this obligation, it is liable to pecuniary penalty for a fiscal offence at an amount determined in each case separately (multiples of the lowest monthly salary).

**Civil Law Activities TAX (CLAT)**

Several categories of activities are subject to the Civil Law Activities Tax. As a rule, this tax applies to various transactions performed by entities that may not have VAT-payer status and are not involved in professional commerce. The transactions covered include, among others, the sale of a property or a loan.

However, PCC may also be imposed on businesses. In particular, it applies to the incorporation of a company or partnership and share capital increases or increases in the partnership’s assets. Both are subject to PCC at a rate of 0.5%. This is calculated on the increased (created) share capital or increased asset value. For this reason, PCC must be taken into account when setting up a company in Poland.

**Subject to CLAT tax - examples**
<table>
<thead>
<tr>
<th>Service Type</th>
<th>Description</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contracts of Sale</strong></td>
<td>• immovable property, movable things, right of perpetual usufruct, cooperative member’s ownership right to a living accommodation, cooperative member’s right to business premises and the rights, resulting from the provisions of cooperative law, to: a single-family house or a living accommodation in a small apartment house</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>• other property rights</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Contracts of Exchange, Annuity, Division of Inheritance, Dissolution of Co-ownership and Donation</strong></td>
<td>• for transfer of ownership of immovable property, movable things, right of perpetual usufruct, cooperative member’s ownership right to a living accommodation, cooperative member’s right to business premises and the rights, resulting from the provisions of cooperative law, to: a single-family house or a living accommodation in a small apartment house</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>• for transfer of ownership of other property rights</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Contracts</strong></td>
<td>• contracts of establishment of usufruct for consideration, including irregular usufruct, or servitude for consideration</td>
<td>1%</td>
</tr>
<tr>
<td></td>
<td>• contracts of loan and irregular deposit</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>• determination or increase of the share capital at the company</td>
<td>0.50%</td>
</tr>
<tr>
<td><strong>Establishment of Mortgage</strong></td>
<td>• to secure existing debts – on the amount of secured debt</td>
<td>0.10%</td>
</tr>
<tr>
<td></td>
<td>• to secure a debt whose amount is</td>
<td>PLN 19</td>
</tr>
</tbody>
</table>
Local taxes and charges

Among taxes and charges imposed by local authorities (e.g. cities or communes), the most significant one is real estate tax. In tax regulations only the maximum amount of local tax was determined, each commune has a right to determine the rates applicable for their territory.

Following items are subject of real estate tax:

- Land (calculated per square metre)
- Buildings (calculated per square metre of usable surface)
- Structure relating to a business activity (calculated on value).

5.3. Investment-related tax preferences

Except for a few minor restrictions, foreign investors enjoy the same treatment as domestic entities and may apply for permits to engage in restricted activities if they are permanent residents originating from countries applying the reciprocity rules to Polish companies acting abroad. Foreign investors are generally entitled to transfer all of their profits abroad. All legal entities have to maintain their own bank account(s).

Various activities can be supported by structural funds, ranging from environmental protection projects to human resource developments. Consequently, it is possible for business operations in various sectors of the economy to receive EU financing, even from several different programs or funds. The level of co-financing varies, depending on the type of business activity and the level of permitted public aid.

Special economic zones

Special economic zones (SEZs) are designated areas in Poland in which business activities (manufacturing and services) can be carried out on preferential terms. Fourteen special economic zones have been established to revitalize regions hit by high unemployment. The zones are offering a variety of benefits, including tax exemptions, employment incentives, low rent, etc.
The base for operation in SEZ is a permit for the operation at the territory of SEZ issued by the administration of the zone, where the conditions for Investor, such as the value of investment, the number of workplaces to be created, deadline for finish of the investment, are determined. In the SEZ permit also the types of the activities will be determined, which will be exempt from the taxation in case of the particular investor.

Special Economic Zone is the right choice for those companies, which are willing to use the public aid in the form of the tax exemption, calculated on the basis of the investment cost or new job creation. This benefit can be utilized till end of year 2026 – based on current regulations this a date until the special economic zones should operate in Poland, however this deadline was already prolonged in the past and might be also prolonged in the future. This kind of tax exemption granted for investors in SEZ is one of the forms of public aid compliant with the regulations being in force in the similar institutions operating in the European Union countries.

**Real estate tax exemption**

Real estate tax exemption is one of the basic investment incentives which are available for entrepreneurs in Poland. According to tax regulations the municipalities have the right to fix tax rates and establish the above-mentioned exemptions from taxes and charges foreseen therein.

The municipal council may, by way of a resolution, is entitled to determine the real estate tax exemption for entrepreneurs planning the new investment and creation of the new work places as one of the forms of public aid. The aid provided in the form of exemption from real estate tax is equivalent to the value of the tax exemption. What is worth emphasizing is that the tax aid granted under resolutions of municipal councils constitutes the so-called “automatic aid”, which means that an entrepreneur is automatically entitled to exemption after fulfilling the conditions set out in the resolution of the municipal council. However, the intention to use aid always has to be notified in accordance with the model notification, which should be specified in the resolution of the municipal council. All investment expenditure incurred before the exemption cannot be regarded as eligible costs.

**5.4. Bilateral tax agreements with China**

Poland has concluded many double taxation treaties, one of this is also agreement with China. Poland has concluded such an agreement with China on 10 March 1989. This agreement shall apply to persons who are residents of one or both of the contracting states and to taxes on income imposed on behalf of China or Poland or of its local authorities. In practice for investors the most important principles of taxation are related to tax corporate profits, permanent establishment, dividends, interest, royalties, fees.

**Business profits and permanent establishment**
The profits on an enterprise of a contracting state shall be taxable in that state unless the enterprise carries on business in the other contracting state through a permanent establishment situated therein. If the enterprise may be taxed in the other state but only so much of them as is attributable to that permanent establishment.

**Dividends**

As a rule dividends paid by a company which is a resident of a contracting state may be taxed in that other contracting state. However, such dividends may also be taxed in the contracting state of which the company paying the dividends is a resident and according to the laws of that contracting state. However, such dividends may also be taxed in the contracting state of which the company paying the dividends is a resident and according to the laws of that contracting state, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed 10% of the gross amount of the dividends.

As a rule dividends paid by Polish companies to non-residents are subject to a 19% withholding tax, unless a tax treaty providing a lower rate (in this case – 10%). The lower rate can be used, under condition that foreign recipient of dividends will provide the Polish taxpayer with a certificate of tax residence issued by tax authorities in the recipient’s home country, confirming that the recipient of the dividends is tax resident in China.

**Interest**

According to provisions of agreement between China and Poland interest arising in contracting state and paid to a resident of the other contracting state may be taxed in that other contracting state. However such interest may also be taxed in the contracting state in which arises and according to the laws of that contracting state, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 10% if the gross amount of the interest.

According to the Polish tax provisions the withholding tax on interest paid to non-residents and resident individuals is 20%. The rate on payments to non-residents may be reduced under a tax agreement (with respect to Chinese residents to 10%). To obtain a lower treaty rate, however, foreign recipient of interest should provide the Polish taxpayer with a certificate of tax residence issued by tax authorities in the recipient’s home country, confirming that the recipient of the interest is tax resident in China.

**Royalties**

According to provisions of agreement between China and Poland royalties arising in contracting state and paid to a resident of the other contracting state may be taxed in that other contracting state. However, such royalties may also be taxed in the contracting state in which they arise and according to the law of that State, but if the beneficial owner of the royalties is a resident of the other contracting state the tax so charged shall not exceed 10% of the gross amount of the royalties. Please note that additionally in the case of the payments of any kind received as a consideration for the use of, or right to use, any
industrial, commercial or scientific equipment the gross amount of the royalties to taxed means 70% of this gross amount.

Based on the internal Polish tax rules 20% withholding tax is imposed on royalties paid to non-residents and resident individuals. The 20% rate may be reduced based on the agreement between Poland and China. To obtain a lower treaty rate, the recipient has to present a certificate of tax residence issued by the tax authorities in the recipient’s country of residence, and additionally has to provide a signed declaration of tax obligation on the entire taxable income at a country of residence, regardless of the source of income.
Chapter 6. The process of establishing foreign companies and foreign-labor entrance

6.1. The process of establishing foreign companies

1.1. General rules

Chinese Investors may conduct economic activity in Poland, however in certain limited forms.

Whereas foreign persons from the European Union Member States and European Free Trade Association (EFTA) member countries – parties to the European Economic Area Agreement may undertake and conduct economic activity on the same terms and conditions as Polish entrepreneurs, the investors from other countries, including China, may undertake economic activity only in certain limited forms.

The general rules applicable for investors from China are regulated in the Freedom of Economic Activity Act dated 2 July 2004. According to this Act entrepreneur shall have the right to undertake and conduct economic activity only in the form of a limited partnership, limited joint-stock partnership, limited liability company, and joint-stock company, as well as to join such partnerships and companies and to take over or acquire shares in these entities, unless otherwise provided for in international agreements. The provisions regulating conducting business in the above mentioned forms are contained in the Act of 15 September 2000 - Commercial Companies Code.

If Chinese investor establishes any of the above mentioned entities in Poland - limited partnership, limited joint-stock partnership, limited liability company or a joint-stock company - such entity will be allowed to conduct business without any restrictions, based on the same rules as Polish companies.

The Freedom of Economic Activity Act is giving the foreign investors also other options to perform economic activity in Poland in other forms. Foreign companies may create branch office and representative offices in Poland.

A branch office is subject to registration in the register of entrepreneurs of the National Court Register, same as companies incorporated in Poland. Since the branch office does not
have separate legal entity, it may conduct economic activity only within the defined scope of business of the foreign entrepreneur.

Foreign investors, whose main goal is to advertise the company, may establish representative offices in Poland. The scope of the activities of a representative office shall include exclusively advertising and promotion of the foreign entrepreneur. Representative offices must comply with Polish laws, especially keep bookkeeping in accordance with Polish regulations. The Minister of Economy holds the Register of Representative Offices of Foreign Companies.

According to the 1987 Polish-Chinese bilateral agreement on legal assistance in civil and criminal matters, any documents drafted in one country are valid in the other country and do not require additional legalization. This regulation improves and facilitates the economic activity of Chinese entrepreneurs in Poland.

1.2. Limited liability company

The limited liability company (LLC) is the most common and popular form of conducting business activity by foreign entrepreneurs. Polish legislator has introduced several legal solutions to facilitate the incorporation of the LLC, including among others the online registration of the LLC within 24hour mode (S24), implementation of unified standard company deed of incorporation, as well as the registration for the tax and statistics purposed on the basis of the single registration application.

The main advantage of the LLC is that it has its own legal personality, separate from its shareholders. It is fully liable for its debts. The shareholders of LLC are not personally liable for the debts of the company, they bear financial risk up to the amount invested in the company share capital.

Apart from that, choosing the LLC guarantees:
- low cost of establishment of the company (especially in the S24 mode);
- immediate readiness to conduct business activity after the registration of the company;
- involvement of very small initial share capital – min. 5,000 PLN;
- clear rules of management, accounting and taxation;
- no liability for the debts of the company borne by the

A foreigner investor establishing a LLC must remember however, that:
- the company requires appointment of the Management Board, consisting at least of one member, it is not required that this persons should be Polish citizens;
- the members of the Management Board may, in case the company does not fulfill its obligations, under certain conditions be held liable for the debts of the company;
- the company from the moment of its establishment must fulfill obligations imposed by the accounting and tax regulations, including drafting monthly tax declarations, preparation and approval of yearly balance sheet and its submission to tax office and register court;
- each change of the articles of association of the company requires a form of a notarial deed;

The LLC may be established by one or more shareholders, both natural and legal persons. The shareholders may be represented by the appointed proxies, they do not need to appear in person in Poland. The sole shareholder of the company may not however be another single-shareholder company. If the foreigner appears in person before the notary public in Poland and does not speak Polish, a sworn translator needs to be appointed. If the shareholder is a foreign legal person, an excerpt from the relevant register confirming the existence of the shareholder is necessary, together with sworn translation of such document. Additionally a resolution of the foreign entity on establishment of the subsidiary company in Poland may be necessary, depending on the internal regulations of the foreign entity.

Establishment of the LLC can be carried out in two ways:
- ordinary – by signing the articles of association by the shareholder of the company before the notary public by shareholders or their representatives (proxies). After incorporation, further steps are required to register the company – preparation and completion of the motion to the register court. The whole procedure may takes approx. 2 weeks;
- online registration via Internet – however the registration requires possession of the PESEL number (personal identification number) which may be issued also for foreigners. The company shall be registered within 24 hours.

In case of internet registration the shareholders may use only standard drafts of the LLC agreements. In case of “traditional” registration, the articles of associated may be prepared individually and adjusted for the needs of the shareholders.

The Code of Commercial Companies defines the minimum content of the Articles of Association, which should specify: the name and seat of the company and scope of the business activity, the amount of share capital, number and nominal value of shares held by the shareholders, information if the duration of the company is limited.
The following attachments to the application form (KRS-W3) are required in the registration of a limited liability company:

- articles of association,
- documents about appointing of the Management Board,
- a statement from all members of the Management Board that the contributions towards initial capital have been made by all shareholders in full,
- written consent of all members of Management Board to the appointment to the Management Board,
- a list of the shareholders and the number and nominal value of shares held.

The minimum share capital of the LLC is 5,000 PLN, the minimum value of one share is 50 PLN. The shares may be covered by cash or by in-kind contributions.

The bodies of the limited liability company are: the Management Board and the General Meeting of Shareholders. The company may also appoint Supervisory Board, but it is mandatory only if the company has more than 25 shareholders or its share capital exceeds 500,000,00 PLN.

The Management Board may consist of one or more members. Members of the Management Board are appointed by the General Meeting of Shareholders. The shareholders of the LLC may be appointed as Management Board members.

A foreigner may be appointed as member of the Management Board, however if he stays on the territory of Poland for the period exceeding 6 months in the total period of 12 months in connection with the performance of duties in the Management Board of the Polish company, he must obtain a work permit. The term of office of the Management Board members may be freely adjusted in the articles of association on the LLC.

The Management Board represents the company in relation to the third parties, enters into obligations and disposes of rights. According to the rule introduced in the Commercial Companies Code, any transactions of a value twice in excess of the initial capital, shall require prior written consent of the general meeting of shareholders. This rule may be freely amended. The shareholders may either entrust the Management Board with full powers without any limitations or limit the powers of the Management Board by imposing other limits of the value of transactions which require prior consent of the General Meeting of Shareholders.

The Supervisory Board, if created, shall be composed of no less than 3 members, appointed by the General Meeting of Shareholders. It is designated to exercise day-to-day supervision
over the performance of the company in all areas of the company activity. A member of the Management Board may not join function with the membership in the Supervisory Board. The duties of the Supervisory Board include appraising the reports of Management Board on the company’s activities and financial statement for the preceding financial year and Management Board motions on the distribution of profits or covering loss.

The General Meeting of Shareholders is a body composed of the shareholders of the LLC. The General Meeting of Shareholders may either be ordinary or extraordinary. The Ordinary General Meeting of Shareholders shall be held within 6 months of the end of each financial year for the purpose of consideration and approval of the Management Report and financial report for the previous financial year, as well as granting discharge to the members of the Management Board for the performance of their duties. The Extraordinary General Meeting may be called by the Management Board in every case, when the resolution of the shareholders is required either by the provisions of the Commercial Companies Code the articles of association of the company.

1.3. Joint-stock Company

Joint stock company has a legal personality, same as LLC. It is generally used for medium and large businesses and it can be founded by one or more shareholders. Joint-stock company is more formalized and complex in terms of statutory governance. It is also more expensive to establish and run the company. As an example it is worth to mention that all resolutions of shareholders must be adopted in the form of a notarial deed. Some types of business activity, such as banks, pension funds or insurance companies can only be performed in the form of joint-stock companies.

The founding members agree upon and sign the joint-stock company's articles of association, supply at least 25% of the initial capital, and make all the vital management decisions concerning the company before the management board and supervisory board are appointed. The articles of association should be drawn up in the form of a notaries deed and signed by the founding members. The minimum share capital is PLN 100,000. The nominal value of one share may not be less than PLN 0,01. Contributions may be made in cash or in kind and the contribution in kind must be at the disposal of the Management Board.

The shareholders of the joint-stock company are not responsible for any debts and any obligations of the Company, they bear risk of losing their investment (e.g. monetary contribution or in-kind contribution invested to take up the shares in the share capital of the company). To protect the economic interests of the company's business partners and of public institutions (e.g. tax authorities), Polish law states that in certain circumstances
members of the management board may be liable for the debts of the company.

In order to establish a joint stock company it is necessary to:
- draw up a company’s statute;
- pay in share capital prior to registration of the company (the share capital shall be paid into a bank account of the company);
- appoint the company’s governing bodies (Management Board and Supervisory Board);
- register the company in the National Court Register.

The statute should specify: the business name of the Company, the seat of the company, the scope of its business activity, whether the duration of the company is limited, the amount of the company’s share capital and the amount paid up to cover the share capital before its registration, the nominal value of the shares and their number with an indication of whether they are registered or bearer shares, whether various types of shares are provided, and if so, the number of shares of a specific type and their related rights, the founder's name, the number of members of the Management Board and Supervisory Board.

The bodies of a joint stock company are the Management Board, the Shareholders’ General Assembly meeting and Supervisory Board.

The features duties and obligations of the Supervisory Board and Management Board are almost the same as in the case of a LLC. The supervisory board is appointed by the shareholders and in turn appoints the management board. A management board comprises one or more members. The articles of association should prescribe the rules for the company’s representation. Any member of the management board may be dismissed or suspended. A supervisory board must comprise at least three members. The articles of association may provide that the management board requires consent of the supervisory board in the case of certain decisions.

The General Assembly is a body created by stockholders who may exercise the rights stipulated in the Commercial Companies Code and the statute. An Annual General Assembly must be called within six months of the company's financial year and the items on the agenda are stipulated by law.

The following attachments to the application form (KRS-W4) are required in registration of the joint-stock company:
- a company’s statute,
- notary deeds on establishing the company, and on the subscription of stocks,
documents appointing the company's governing bodies, with a specification of appointed members (Management Board and Supervisory Board),
- specimen signatures of the all member of Management Board certified be a notary or made in person through their presence in Court,
- a statement from all members of the Board of Management that the stock payments and contributions in kind envisaged by the charter have been effected lawfully,
- a confirmation for the stock payments from bank or an investment company.

1.4. Limited partnership

The limited partnership is a commercial partnership, which combines many of the features of typical partnership and certain features of a commercial company. Limited partnership is not a legal person, but can, in its own name, acquire rights, contract obligations, sue and be sued.

The limited partnership in Poland may be formed by at least two individuals, partnerships, companies or other legal entities. In limited partnership at least one partner is liable to the creditors for the debts and obligations of the partnership without limitation (the general partner) and at least one partner has a limited liability, up to the amount of the contribution made to the partnership. Limited partnership is represented only by the general partner. The limited partners may only represent the partnership in the capacity of a proxy.

The name of a limited partnership in Poland must contain the name of one or more general partners and the additional designation "limited partnership". It is also acceptable to use the abbreviation "LLP".

The articles of association for a limited partnership in Poland shall include the name and registered office of the company, the objects of activity, the duration of the company (if it is marked), the determination of the contributions by each partner and the value, the indicated amount of the responsibility of each limited partner to creditors.

The limited partnership agreement should be concluded in the form of a notarial deed.

The limited partnership is formed at the moment of registration. The application file for registering a limited partnership to the register court should include:
- a standard application form,
- the company's name, registered office and address of the company;
- the object of the company activity,
- the names or company(s) of general partners and, separately, the names or company which represent the limited partners, as well as the circumstances that limit the ability of a shareholder to act, if any,
- the names of persons authorized to represent the company and the manner of representation, where the general partners have entrusted other persons to represent the company,
- the sum of the partnership,
- the proof of payment for the registration taxes and fees.

The limited partnership has to handle all its accounting matters, including preparation of financial statements at the end of given financial years and submit them to the relevant register court and tax office.

1.5. Limited joint-stock partnership

A limited joint-stock partnership is intended for conducting business activity under its own trading name (this means that the name of a limited joint-stock partnership should include the last name or the trade name of one or several partners and an additional designation "spółkakomandytowo-akcyjna"). Limited joint-stock partnerships are, in principle, large firms, e.g. large family firms.

The partnership does not have legal personality - it may in its own name acquire rights, including ownership of real property and other rights in rem, it may incur obligations, sue and be sued. It is a hybrid of a joint-stock company and a limited partnership. A limited joint-stock company has two types of participators - a general partner whose liability for all the partnership's obligations is not limited in any way and is regulated in the same way as in a limited partnership and also a shareholder who is not liable for the partnership's obligations but is obliged to acquire and pay up shares in the same manner shareholders in a joint stock company.

The minimum share capital of such partnerships is PLN 50,000. The share capital may be paid up in cash or in kind. The partnership is represented only by the general partner. Shareholders have no powers of representation unless granted proper power of attorney.

Limited joint-stock partnership may be established by at least two individuals, partnerships, companies or other legal entities.
The articles of association shall be made in the form of a notarial deed. Limited joint-stock partnership come into existence upon the registration in the Entrepreneurs’ Register.

1.6 Establishing and registering an entity

All the above entities require signing the articles of association (statute) in form of a notarial deed and registration in the Register of Entrepreneurs. Only in case of the incorporation of the LLC there is a possibility to avoid the formation of the company before the notary public, by using the online registration mode (s24). Also only in case of the LLC, it is possible to begin the activity before the registration in the Register of Entrepreneurs. During the period from the date of signing the articles of association till the day of registration, the LLC may conduct economic activity as the company “in organization”.

The company or partnership must also choose their business address. In the registering process, the address is confirmed by the lease agreement or the title to ownership of real estate. The initial capital of the company must be paid in full by the LLC and at least 25% by the joint-stock company before the moment of submitting the registration application.

All companies in Poland are obliged to open a bank account. The documents required for this depend on the individual bank (e.g. articles of association/statute, and the specimen signatures of those authorized to represent the company).

The next step is to submit an application to the national court register. The application to National Court Register is used for the purpose of obtaining REGON identification number and Tax Identification Number (NIP). If the entity plans to hire employees it should register at the Social Insurance Institution (ZakładUbezpieczeńSpołecznych).

The court fee for the registration of all the above mentioned entities in the Register of Entrepreneurs is PLN 500 PLN and PLN 100.00 for the publication of Monitor Sądowy i Gospodarczy.

6.2. The requirements and procedures of foreign-labor entrance

Poland, as being a part of the global economic system has implemented numbers of regulations allowing the movement of people and the performance of the work taking into account the obligations imposed on Poland by membership in the European Union.
As a rule, both legal entry into the Poland as well as required permits and a system of work permits are governed by two legal acts: Foreigners Act of 12 December 2013 and Employment Promotion and Market Institutions of Work of 20 April 2004. Under Polish laws, a foreigner is anyone who does not have Polish citizenship (negative definition). In terms of ease of crossing the Polish border and access to the Polish labor market for foreigners it is possible to introduce a rough division of foreigners on EU member states citizens and citizens of other countries.

**Right of entry and residence of foreigners in Poland.**

Poland, due to its membership at the European Union guarantees the right of free entry to its territory to citizens of countries belonging to the European Union, European Economic Area and Swiss Confederation. Citizens of these countries can enter on Polish territory without acquiring a visa or other entry document. The basis of crossing the border can only be a valid document confirming identity and citizenship of a foreigner.

The legal situation of citizens of non-EU countries shapes differently. In general, such foreigners could enter the Polish territory only by obtaining a visa. Exceptionally, citizens of certain countries are exempt from the visa requirement on the basis of international bilateral agreements, signed by Poland and their home countries. Polish visa is, when it comes to its form, basically a sticker to be affixed to the passport or other travel document and is issued by Polish consulates located on the territory of the country, from which foreign citizen travels.

Currently there are three types of visas to be issued:
- Schengen visa (type C). This type of visa authorizes to a single or multiple entries and stays on Polish territory and other countries within the Schengen area. Condition: continuous length of stay or the total length of all stays on the area of the Schengen countries cannot be longer than three months within 6 months period counting from the date of first entry into the Schengen territory. Schengen visa may be issued in particular in regard of business activities or work,
- The national visa (type D). This type of visa allows for single entry to Poland and stay on the Polish territory or several entries and stays succeeded, lasting more than 3 months total. The period of validity of the national visa may not exceed one year,
- Airport transit visa (type A). This type of visa entitles to pass through the international transit areas of one or more airports of the Schengen countries.

According to appropriate regulations, in particularly justified cases it is possible to extend the visa obtained (both type C and type D). Tourists travelling and remaining on Polish territory not longer than 90 days are not obliged to obtain visa.

Foreigners who want to stay on Polish territory more than 3 months must apply for a temporary residence permit. Such a permit is issued for a period of up to 3 years. The
authority competent to issue a temporary residence permit is the wojewoda (governor of the region in Polish administration) competent according to foreigner’s place of residence in Poland. Before the decision to issue a foreigner a temporary residence permit wojewoda asks the commander of the Border Guard, regional commander of the Police, the Head of the Internal Security Agency, and if necessary also to the consul competent for the last place of residence of the foreigner abroad for information, whether foreigners ’s entry into Polish territory and stay in that territory may pose a threat to national defense or national security or the protection of public safety and order.

A temporary residence permit expires by law on the date of issuing by authority a foreigner his next temporary residence permit, permanent residence permit, residence permit for long-term resident of the EU or by obtaining by foreigner a Polish citizenship.

Another title for legal residence in Poland form a foreigner may be a temporary residence and work permit. This permit shall be granted when the purpose of the foreigner’s stay on Polish territory is employment (as opposed to a temporary residence permit - which pursues essentially non-professional purposes – nevertheless it can be a condition to obtain a separate work permit). Temporary work and residence permit is a rather new institution, that was introduced to polish legal system to facilitate foreigners’ access to Polish labor market.

Temporary work and residence permit is in general granted to a foreigner who has health insurance or confirmation of coverage by the insurer his potential treatment costs on Polish territory, a source of stable and regular income sufficient to cover the costs of his upkeep and family members that are dependent on him. It is essential that foreigner needs to possess a place of residence on polish territory and the employer entrusting foreigner to perform work has no possibility to meet his staffing needs in the local polish labor market. Proposed foreigner’s salary should not be lesser than the salary of employees providing comparable services or working on a similar posts within the local labor market. The competent authority for issuing permit is also wojewoda.

Another type of residence permit is a temporary residence permit in order to perform a highly qualified work. It is a special kind of permit for the foreigners who are highly qualified professionals, whose employment on the local labor market is favorable and whose professions are regulated (ie. such professions that are subject to specific regulations of access and that regulated by terms of necessary education and qualification levels). It is essential for a foreigner to prove his qualifications approved by professional authority in his home country. To obtain a permit, it is necessary that foreigner needs to conclude a labor contract with his employer (or other similar contract) at least for a period of one year, under which he performs work or supplies services. The foreigner needs to meet the requirements associated with the practice of the profession described in polish regulations (essential qualification), he needs to have adequate insurance or confirmation of coverage by the insurer of possible treatment costs on Polish territory, he also needs to have the consent of
the competent professional authority to work in the profession. It is also necessary to carry out a local labor market test - the employer hiring the foreigner should check at first if it is possible to meet staffing needs in the local labor market. The foreigner’s salary should be correspondingly high in comparison of similar posts. Permit is granted for a period of 3 months longer than the period of job contract, but not more than three years.

A foreigner can also visit Poland and be employed on the basis of a temporary residence permit issued to perform work on the basis of delegation on Polish territory by a foreign employer. This permit applies in practice to foreigners who are employed by foreign employers and arrive on Polish territory in order to carry out work on behalf of their employers. A temporary residence permit of this kind is closely associated with the separate work permit, which is needed.

Other types of temporary residence permits are temporary residence permit in order to conduct business (mainly concerning management companies), a temporary residence permit for higher education, a temporary residence permit in order to conduct scientific research, and a temporary residence permit for a foreign family member of the Polish citizen.

Under the provisions of Polish law it is also possible to obtain a permanent residence permit. A permanent residence permit is associated in most cases with family ties with Polish citizens (eg. a child of a Polish citizen remaining under his parental care, a foreigner that has Polish ancestors and intends to settle permanently in Poland). A permanent residence permit is issued for an indefinite period, foreigner with permanent residence permit receives a residence. The residence card is the document that confirms the identity of the foreigner during his stay in Poland. This document, together with a valid foreign passport confirms permission to stay in Poland and entitles to multiple border crossings without a visa. The procedure for obtaining a permanent residence is carried out by wojewoda competent by the place of foreigner’s residence within territory of Poland.

**Foreigners' access to the Polish labor market.**

Groups of the foreigners can be divided in generally by possibility of entry and residence on Polish territory into two groups. To the first group belong foreigners whose access to the Polish labor market is guaranteed without obtaining a work permit. They are mainly citizens of countries belonging to the European Union and citizens of the European Economic Area.

Foreigners that are not citizens of countries belonging to the European Union and citizens of the European Economic Area in general need to obtain a work permit.

From the obligation to obtain a work permit are excluded specific groups of foreign workers. To this specific group belong among others foreigners conducting specialized training, foreign language teachers, members of the armed forces, clergy, foreigners - family
members of a Polish citizen (e.g., spouse), foreign correspondents of the mass-media, to a limited extent (time limit) athletes, actors, professors. Also, persons who have a permanent residence permit may take up employment in Poland with virtually no restrictions.

Most of the foreigners to carry out employment activity must obtain a work permit. They include the following categories of foreigners:
- Foreigners who work on the Polish territory under a contract with an entity whose registered office or place of residence or branch, plant or other form of organized activity is placed in the territory of the Poland. The permit issued in that case is a work permit type A.
- Foreigners who, in connection with the duties of the board of the legal entity registered in the register of companies or companies under formation reside on Polish territory for a period exceeding 6 months in total over the next 12 months. The permit issued in that case is a work permit type B,
- Foreigners who perform work for a foreign employer and are delegated by the employer to Poland for a period exceeding 30 days per calendar year to a branch or establishment of a foreign employer. The permit issued in that case is a work permit type C,
- Foreigners who work for a foreign employer who do not have a branch, department or other form of organized activity on polish territory and is delegated on the polish territory in order to provide services on a temporary and occasional base (export service). The permit issued in that case is a work permit type D,
- Foreigners who work for a foreign employer and are delegated on the Polish territory for a period exceeding 30 days over the next six months for purposes other than specified in permits type A, B, C and D. In this case, the permit issued is work permit type E.

The competent authority for issuing a work permit is wojewoda competent according to registered office of the employer. A work permit for a foreigner can be requested by the employer.

A special type of permit is a permit for work and temporary residence. It is a kind of permit (mentioned also above) entitled for a stay and work at the Polish territory at the same time. This permit is also issued by the wojewoda. In a procedure of obtaining of permit for work and temporary residence the foreigner can apply for this permit by his own.

As mentioned above it is possible to obtain a temporary residence permit in order to perform a highly qualified work. The procedure for obtaining work permits, temporary work and residence permit and permit for residence and work in highly qualified professions demands to perform the labor market test, under which it is obligatory to check whether the employer can meet his staffing needs basing on Polish or EU citizens.

Citizens of Armenia, Belarus, Georgia, Moldova, Russia and Ukraine can work in Poland without a work permit for a period not exceeding six months over the next 12 months based on a statement of intention to work to a foreigner.
Foreigners exempted from the obligation to obtain a work permit and foreigners that need to have a work permit essentially have equal rights with Polish citizens while working in Poland arising from the Labour Code and cannot be subject to any discrimination. This applies to both employer's obligations towards employees, right to seek for employment protection before the Polish courts as well as the entitlement to remuneration not lower than Polish citizens.