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# How to do business

*Investors' guide Poland*

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ul. Piękna 18  
00-549 Warszawa  
Tel.: +48 22 511 08 11  
Fax: +48 22 511 08 13  
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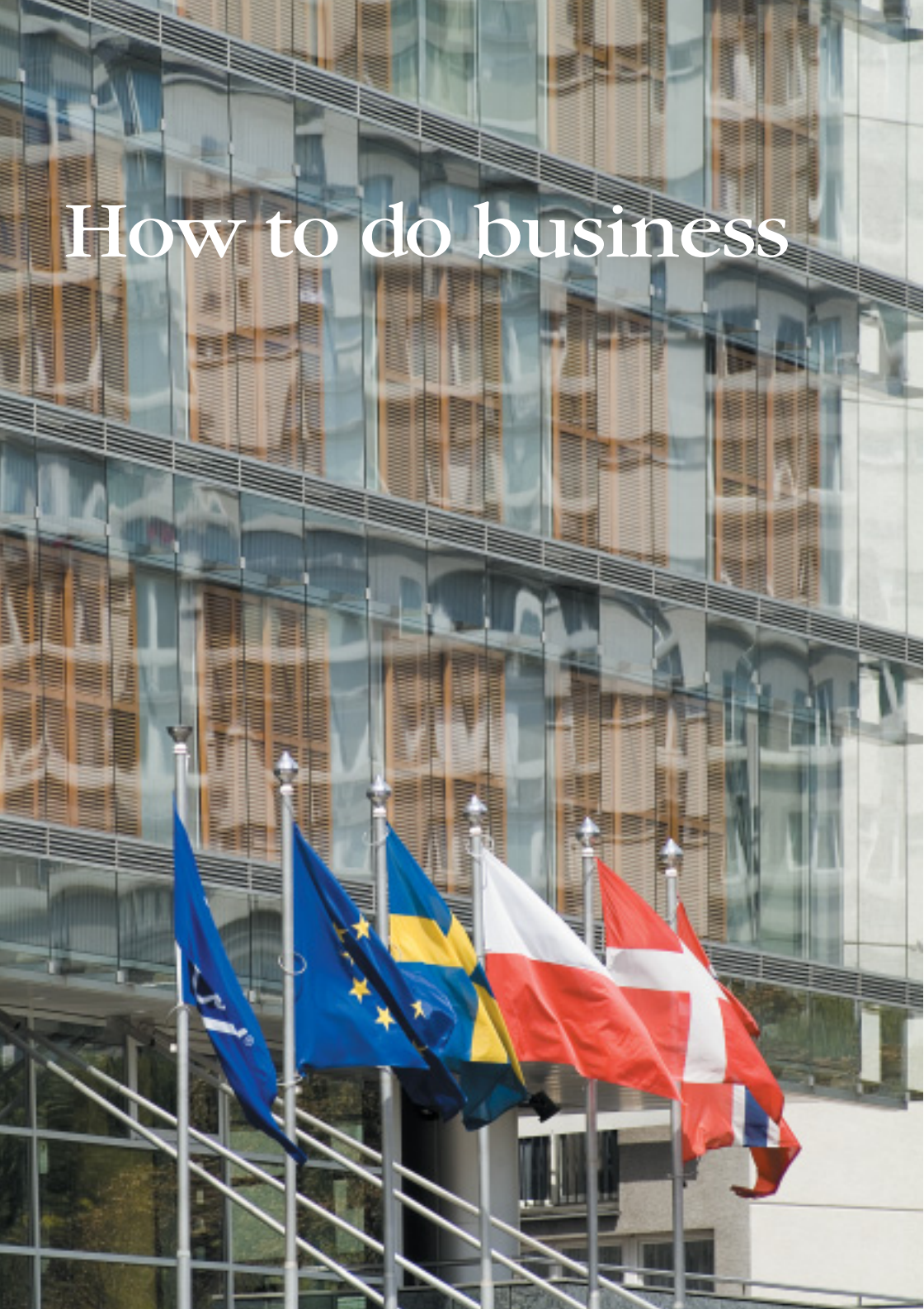
# How to do business

*Investors' guide - Poland*

**Warsaw, 2006**



# How to do business



# I. Establishing business activity step - by - step

## Choice of legal form

For example:

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

See page: 7, 8, 10, 14



## Signing the company's Articles of Association or Statute (applies to limited liability company and joint-stock company only)

See page: 8, 18, 19



## Arranging for an official address of the company (at least a lease agreement for the office)

See page: 19



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

See page: 19



## Opening an account at a Polish bank

According to Polish law, every business entity must have an account at a Polish bank  
See page: 19, 42



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

Tax Office appropriate for the company's official address.  
See page: 19, 20, 44



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

- Registration should be effected the District Court which has jurisdiction over the district in which the company will have its official address.
  - Addresses of Economic Divisions of the National Court Register and information on their territorial jurisdiction are available through the website of the Ministry of Justice, [www.ms.gov.pl](http://www.ms.gov.pl)
- See page: 8, 19



### Notifying the Social Insurance Institution

i.e. Zakład Ubezpieczeń Społecznych — ZUS.  
Such an obligation arises after employment of the first employee.  
See page: 38, 61



### Notifying the National Labour Inspectorate

And other institutions, if necessary, including, for instance, the General Personal Data Protection Inspectorate  
See page: 27



### Receiving required permissions or licenses

See page: 16, 17, 20, 24, 26



### Registration in the Tax Office as a VAT remitter

See page: 53

# II. Establishing and Doing Business in Poland

## 1. Starting up Business Activities in Poland

### 1.1. General rules for conducting business activities in Poland, including activities of foreign enterprises

The principal legal act governing business activities in Poland is the Economic Freedom Act of 2<sup>nd</sup> July, 2004. It regulates the conduct, running and closure of business activities in Poland, as well as the tasks of public administration in this domain. Foreign persons<sup>1</sup> from the European Union and the European Free Trade Association zones belonging to the European Economic Area (EEA) may establish and conduct business under the same rules as those which apply to Polish entrepreneurs.

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

- have received a permit to settle in Poland;
- have a residence permission or the status of a refugee granted by the Republic of Poland, or
- enjoy temporary protection on the territory of the Republic of Poland.

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

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

Such foreigners also have the right to enter into the types of partnerships and companies listed above, as well as acquire shares in them. Furthermore, foreign entrepreneurs<sup>2</sup> may conduct business activities in the form of a branch office, or they may establish representative offices in Poland.

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

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<sup>1</sup> Under the law, a foreign person is:

- a natural person residing abroad, without Polish citizenship,
- a legal person with its seat (registered office) abroad; an organizational unit with its seat abroad, not being a legal entity, but having legal capacity.

<sup>2</sup> According to the law, a foreign entrepreneur is a foreign person conducting business activities abroad.

## 1.2. Corporate entities

Foreign entrepreneurs may establish various forms of business activity. Possible legal forms of conducting business activity in Poland are presented below.

### 1.2.1. Limited liability company

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

Such a company is established in order to conduct all activities permitted by law, by way of notarized Articles of Association which specify:

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

Both individuals and legal entities may be founders. A limited liability company may also be formed by a single shareholder, but it may not be established solely by another single-shareholder limited liability company. Shareholders are not liable for the company's liabilities.

A limited liability company acquires legal personality from its registration in the National Court Register and is represented by its Management Board. However, it comes into existence on the implementation of the company's deeds, and, although it does not have a legal personality, it can start operating before its entry into the National Court Register as an "entity in organization".

The minimum initial capital of a limited liability company is PLN 50,000. The minimum nominal value of one share is PLN 50.00.

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

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



### **1.2.1.1. Corporate bodies of a limited liability company**

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

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

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

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

The Supervisory Board exercises ongoing supervision over all areas of the company activity. The Board may not give any binding instructions to the Management Board on operating the company's business. The authority it has includes the assessment of the financial statements and the Management Board's motions on the distribution of profit or the method in which losses are to be covered, as well as submitting annual reports on its activities to the Shareholders' Meeting. The Board inspects all of the company's documents, requests reports and explanations from the Management Board and employees and audits the company's assets. A company's Articles of Association can extend the powers of a Supervisory Board, specifically by providing that the Management Board must obtain the consent of the Supervisory Board before performing the activities designated in the Articles.

### **1.2.1.2. Liability in a limited liability company**

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

As in the case of the shareholders, Management Board members, are not liable for the company liabilities. An exception to this principle is personal joint liability of the Manage-

ment Board members and the company for the company's liabilities when enforcement against the company proves ineffective. Management Board members can release themselves from this liability if they prove one of the following circumstances: that they punctually filed a motion to declare bankruptcy, or if composition proceedings have been initiated, or if they have not filed for bankruptcy, or composition proceedings have not been initiated through no fault of theirs or a creditor did not incur any injury from the failure to file a motion to declare bankruptcy or failure to initiate composition proceedings.

Moreover, Management Board members are jointly liable with the company to creditors in the event of the intentional or negligent provision of false data in a representation stating that the company's share capital has been fully paid up, which is filed upon incorporation of the company and at the time that the company's share capital is increased.

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

### **1.2.2. Joint-stock company**

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

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

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

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

The founders are obliged to draw up the statute in the form of a notarial deed. The company comes into existence on the implementation of the company deed, but it obtains legal personality at the time that it is entered into the National Court Register. Therefore, although it does

not have a legal personality, it can start operating before its entry in the National Court Register as an "entity in organization". The founders may, but are not obliged, to become company stockholders. They act up to the time that the Management Board is appointed and are jointly liable with other persons who acted on behalf of the company before its registration.

Company statutes must specify:

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

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

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

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

### **1.2.2.1. Corporate bodies of a joint-stock company**

The corporate bodies of a joint-stock company are the Shareholders' Meeting, the Management Board and the Supervisory Board. The basic rules of corporate governance are the same as for a limited liability company. However, a Supervisory Board consisting of at least three people is obligatory in a joint-stock company. In listed companies, the Supervisory Board

consists of at least five members. The Code of Commercial Partnerships and Companies does not provide for the right of stockholders to personally supervise the company's activity.

### **1.2.2.2. Liability in a joint-stock company**

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

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

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

### **1.2.3. Civil partnership**

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

A civil partnership may be established under the regulations of the Civil Code by at least two private individuals or legal entities. An important feature is the lack of legal personality and the inability to act in its own name in the economic exchange of goods and services. The partners are jointly and severally liable for the partnership's liabilities. The income of a civil partnership is subject to personal income tax. The partners in civil partnerships must be registered in the Business Activity Register. The civil partnership must be transformed into a registered partnership and registered at the National Court Register when its annual income in two consecutive financial years amounts to at least EUR 800,000. The partners in the partnership are obliged to file a motion with the National Court Register within three months of the end of the second financial year.

### **1.2.4. Registered partnership**

A registered partnership is a personal partnership, established under the regulations of the Code of Commercial Partnerships and Companies to conduct economic activity on a larger

scale than that of a civil partnership. It is subject to registration in the Register of Entrepreneurs at the National Court Register. Despite the lack of legal personality, a registered partnership has the right to act in its own name in the economic exchange of goods and services. Every partner has unlimited liability for the partnership's liabilities.

### 1.2.5. Limited partnership

The main feature of a limited partnership is that at least one partner has unlimited liability for the partnership's liabilities (General Partner), while others are only liable up to the amount specified in the partnership agreement (Limited Partners). The business name of a limited partnership must include the names, or business names of one or more general partners and the additional designation of *"spółka komandytowa"* ("limited partnership"). The name of a limited partner may not be included in the partnership's business name. If it is included in the partnership's business name, this limited partner will be liable to third parties as if he were the general partner. A limited partnership has the right to act in its own name in the economic exchange of goods and services despite the lack of legal personality. A notarial deed is required to establish a limited partnership. A limited partnership comes into existence at the time it is entered into the National Court Register.

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

### 1.2.6. Professional partnership

A professional partnership is a partnership established by partners for the purpose of working in a profession. A partner may only be a natural person who is authorized to practice in a 'profession', such as an attorney, a pharmacist, an architect, a building engineer, a chartered accountant, an insurance broker, a tax adviser, an auditor, a doctor, a dentist, a veterinary surgeon, a notary public, a nurse, a midwife, a legal adviser, a patent agent, a property valuer, a sworn translator or a psychologist. The business name of a professional partnership must include the name of at least one partner, the additional designation *"i partner"* ("and partner") or *"i partnerzy"* ("and partners") or *"spółka partnerska"* ("professional partnership") and a specification of the profession practiced in the partnership. A notarial deed is required to establish a professional partnership. The professional partnership comes into being at the time it is entered into the National Court Register. An attractive feature of this form of business is that one partner is not liable for liabilities incurred by the other partners in the course of professional activities. A negative side is that the partnership does not have separate legal personality.



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

A limited joint-stock partnership is a partnership established by partners, acting in its own name in the economic exchange of goods and services. Its main feature is that at least one partner is fully responsible for the partnership's liabilities (General Partner) and at least one partner is a shareholder. The business name of a limited joint-stock partnership must include the names of one or more general partners and the additional designation "*spółka komandytowo-akcyjna*" ("limited joint-stock partnership"). A shareholder's name cannot be included in the partnership's business name. If it is included, such a shareholder will have the same liability to third parties as the general partner. The minimum share capital is PLN 50,000. A notarial deed is required to establish a limited joint-stock partnership. Such a partnership comes into existence at the time it is entered into the National Court Register.

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

### **1.2.8. Sole proprietorship**

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

### **1.2.9. Branch office**

By reciprocity, foreign investors are able to establish branches in Poland to conduct business activities. Foreign investors from EU, EEA and EFTA member states are authorized to conduct economic activity under the same regulations as Polish entrepreneurs. A branch is a part of a foreign company that does not have its own legal personality, but conducts business in Poland. The branch may conduct business activities from the moment it is entered into the National Court Register.

The branch office's business can only be conducted within the scope of the parent company's activities.

### **1.2.10. Representative office**

Foreign entrepreneurs may also establish representative offices in Poland. The activities of these offices are limited to advertising and promotion of their foreign business. The repre-

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

## 1.2.11. European Company

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

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

A European Company may be formed for any commercial purpose.

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

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

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

### 1.2.11.1. Corporate bodies of a European Company

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

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

1.2.11.2. Employee participation in a European Company

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

1.3. Types of activities requiring licenses, concessions or permits

Polish law states that the performance of certain types of activities is limited by the need to obtain appropriate consent from the state authorities. These activities may be divided into four groups:

- 1. activities which may be performed after obtaining a concession;
- 2. activities which may be performed upon entry into the register of regulated activities;
- 3. activities which may be performed after obtaining a permit;
- 4. activities which may be performed after obtaining a license.

1.3.1. Concessions

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

Table 1. Types of activity requiring a concession

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

Concessions are granted for a period of no less than five years (unless otherwise requested by the entrepreneur) and no more than 50 years. Concessions are granted upon the completion of administrative proceedings or, if the number of concessions is limited, following a public tender. The authority issuing the concession may monitor the activities of the entity that received a concession within the limits specified by the law.

### **1.3.2. Permits and licenses**

Permits or licenses are required, among others, for the following activities:

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

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

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

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

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

## **1.4. Process of establishing and registering an entity**

### **1.4.1. Establishing and registering an entity**

The Articles of Association of a limited liability company must specify the following elements:

- the company's name and registered address;
- the nature of the business;
- the operating period, in cases where it is established for a defined period;
- the value of the initial capital (the minimum share capital is PLN 50,000);
- the quantity and value of shares for each of the shareholders;
- whether a shareholder may be in possession of more than one share.

In addition the shareholders must provide the names of the members of the Management Board and the Supervisory Board, if this exists, in the notarial deed.

The statutes of a joint-stock company needs to specify the following:

- the company's name and registered address;
- the nature of the business;
- the operating period, in cases where the company is established for a defined period;
- the value of the initial capital (the minimum common stock is PLN 500,000);
- the details regarding the acquisition of the initial capital, the nominal value, type and number of stocks and the ownership rights;
- the names of the founding stockholders, their addresses and the structure of the Management Board and Supervisory Board;
- at least an estimated value of all costs connected with the establishment of the company as at the date of establishment.

A limited liability company and a joint-stock company can be established by one or more private individuals or legal entities. However, they may not be established solely by a single-shareholder limited liability company. Banks must be established as joint-stock companies and can be set up by at least three legal entities or ten private individuals (unless the founder is a Polish or a foreign bank, an international financial institution or the State Treasury).

In order to commence operations, the company is obliged to:

- appoint the members of the Management Board and Supervisory Board in the case of a joint-stock company;
- pay up the entire initial capital (an in cash or in-kind contribution) in the case of a limited liability company, or pay at least 25% of the issued initial shares in the case of a joint-stock company;



Such a company is regarded by law as an entity in organization and can perform some activities; although it does not yet have a legal personality.

The next step is the arrangement of the company's business address. At least a lease agreement for premises is required for this purpose.

The company can then apply to the Central Statistical Office (CSO) for a statistical identification number (REGON). Registration of a company by the Central Statistical Office takes approximately 2 days and is free of charge.

According to Polish law, every business entity must have an account at a Polish bank. The bank account number will also be required to pay up the share capital. The number must be presented to the tax office. The following documents will be required by most of the banks to open such an account:

- the articles of association or the statutes;
- specimen signatures;
- certificate from the Central Statistical Office on the REGON number.

After establishing a bank account, a company can register with the tax office and obtain a taxpayer identification number (NIP).

Registration of a company by the tax office usually takes approximately 1 month, after filing all the necessary documents. The fee for obtaining a NIP number is PLN 150.

The next step is registration at the appropriate Registration Court. The following documents are required for a limited liability company:

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

The documents required from a joint-stock company are:

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

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

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

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

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

### **1.4.2. Tax registration and liabilities**

Every company is obliged to register with a Tax Office as a remitter of VAT if its estimated annual turnover exceeds EUR 10,000. Companies must also apply for a taxpayer identification number (NIP-2).

All documents (or their certified copies) which are required for the formation of a company, as mentioned in section 1.4.1. above, are required in the registration process.

### **1.4.3. Employment duties**

Staff members must be registered with the Social Insurance Institution (ZUS) within seven days of commencement of their employment.

### **1.4.4. Licenses**

Establishing a company with a foreign shareholding does not usually require any special permission or license. The activities requiring a license, permit or concession have been described in detail in section 1.2. of this guide.

A special approval from the Office for Competition and Consumer Protection may be required in certain cases when acquiring shares in a new or existing company. This applies to both Polish and foreign entities.

## 1.5. Office rental

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

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

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

## 1.6. Acquiring real estate

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

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

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

The handover of property ownership requires a contract in the form of a notarial deed. The transfer takes place at the moment of conclusion of the handover contract.

A perpetual usufruct contract must be concluded in the form of a notarial deed. An additional condition for the right of perpetual usufruct to come into existence, other than the above contract, is the entry of this right into the land and mortgage register (see below).

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

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

The legal status of real estate is reflected in records called **land and mortgage registers** which are held by selected district courts.

It is assumed that the legal status of real estate disclosed in a land and mortgage register is correct and, as a result, is that found in such a register. The negation of a right revealed in a land and mortgage register requires appropriate court proceedings.

Land and mortgage registers are open and accessible to all.

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

All purchase or perpetual usufruct contracts must be certified by a notary; otherwise, they are invalid.

A foreigner may purchase real estate or perpetual usufruct only after receiving permission from the Ministry of Internal Affairs and Administration (after approval by the Ministry of Defence and, in the case of farmland, also after receipt of approval from the Minister of Agriculture). The main exceptions to this rule are when the foreigner is citizen or company from a member state of the European Economic Area (details described below) and where the ownership or perpetual usufruct right has been inherited.

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

- through this transaction, the company becomes a controlled company (the shareholder has the majority of the votes at the General Meeting of Shareholders and has the right to appoint members of the Management Board, members of the Supervisory Board and others, as provided for in article 4.1, item 4 of the Code of Commercial Partnerships and Companies);

- the company is a controlled company and the shares / holdings are acquired by an entity which was not a shareholder before the transaction.

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

Exceptions to the above are:

- **farmland and woodland** — permission is required during the first 12 years from the date of Poland's accession to the EU. However, permission is not required if several conditions are satisfied: if the person who wants to purchase real estate is a leaseholder over a specific period (seven years for western regions of Poland and three years for the remainder, starting from the official authentication of the lease contract), and if the leaseholder personally conducts agricultural activities and lives legally in Poland;
- **"second house"** — permission is required during the first five years from the date of Poland's accession to the EU (however, permission is not required if a foreigner lives legally and continuously in Poland for four years, or if he purchases a "second house" in order to conduct business activities in tourism services).

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

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

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

A foreigner intending to buy real estate in Poland may apply for a promise to receive the above permission. The promise is issued in accordance with the principles of issuing administrative decisions. It is valid for a period of six months from the date of issue and obliges the Minister of Internal Affairs and Administration to grant permission unconditionally for the purchase of real estate. Rejection can only occur in the event of a considerable change in circumstances. The promise may also be issued to a legal entity with its registered office in Poland that is considered a foreign entity under the Polish legal system.

A proprietary right (or rights) owned by the state or a municipality may only be sold through an auction. In other cases, the sale can take place through private negotiations. The municipality or district is responsible for the construction of technical infrastructure (e.g. roads, water supply system, sewage system, power grid) but the owner of the real



estate located on the developed area must participate in the cost of the construction of such devices by paying a special fee. This fee is set by the district/municipality authorities.

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

## **1.7. Property and real estate permits**

Special permission from the Ministry of Internal Affairs and Administration is required if a foreign company (i.e. a company directly or indirectly controlled by a foreigner) wishes to purchase real estate in Poland.

A permit is not required in the case of foreigners who are citizens or companies from member states of the European Economic Area, except for:

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

## **1.8. The construction process**

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

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

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

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

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

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

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

The building permission expires if the construction is not commenced within two years of the date from which it was obtained, or if the construction is temporarily suspended for a period of longer than two years. The use of the completed building or facility may commence upon notification of the construction supervisory authority 14 days before first use of the construction facility and an obligatory inspection (some exceptions exist).

The construction law also provides a method of legalizing facilities erected without building permission or not in compliance with the building permission. However, such facilities may only be legalized if:

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

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

Development of land must be consistent with the local master plan (if such a plan exists). Any planning permission which does not comply with the plan is deemed invalid. If the

previously issued decisions are not consistent with the new or revised plan, they expire unless building permission has already been issued.

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

### **1.8.1. Building permission**

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

The national administrator should be approached for the building permission. The Voivod (*Wojewoda*, Marshal of a region or voivodship) supervises special building projects (such as airports, hydro-technical constructions, military, defence and security constructions, etc.). He also serves as the instance of appeal against decisions of the lower administrative level.

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

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

The people participating in the building process are:

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

The functions of the construction manager and the investor's inspector must be performed by separate individuals.

The investor is obliged to inform the appropriate authority in the event of the replacement of the construction manager, the investor's inspector or the chief architect, specifying the date of the change. Construction supervisors may include a clause in the building permission stating that after completion of the building process, the investor must obtain building occupancy permission. In such case, the investor is obliged to send the notification of completion of the construction works to the following authorities:

- Environmental Protection Inspection Office;

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

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

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

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

## **1.9. Employment of workers**

### **1.9.1. Labour law**

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

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

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

#### *Work regulations*

The work regulations set the organisation and order of work, as well as rights and duties of employer and employees. Every employer is obliged to implement work regulations unless he

employs fewer than 20 workers or the matters to be the scope of work regulations are already stipulated in an effective collective bargaining agreement.

The most important matters contained in the work regulations are:

- the organisation of work and the provision of tools and materials to the employees;
- the working hours;
- night-time work;
- the time, place and frequency of paying remuneration;
- the duties related to occupational safety and health (OSH);
- the list of jobs which youths and women are prohibited from performing.

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

### *Collective bargaining agreements*

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

They also include the mutual obligations of the parties.

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

### *Principles of labour law*

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

- the employer's respect of the the employee's dignity and other personal interests — this is one of the fundamental duties of the employer; a serious breach of this principle may constitute grounds for the employee terminating the employment contract with immediate effect; personal interests include health, freedom, honour, freedom of conscience and privacy;
- the employee's right to decent remuneration for his work - this means that the salary paid to the worker should be equivalent to his effort made in the performance of his job. Moreover, the remuneration should offer the employee and his family decent living conditions. Importantly, the regulations of labour law set the minimum level of remuneration, whereby employers are not allowed to pay lower salaries;
- the right of employees to rest — guaranteed both by the Polish Constitution and the provisions of the Labour Code. This right is implemented by the regulations on working time (in general, 8 hours per day and forty hours per week) as well as by the regulations on annual leave (in general, every employee is entitled to 20 or 26 days paid annual leave). Where the employer breaches the regulations on work time, he is subject to liability for an offence;



- the employer is obliged to treat employees equally in terms of entering into/terminating employment relationships, working conditions, promotion and access to occupational training regardless of their sex, age, disability, race, religion, nationality, political views, membership in trade unions, ethnic origin, sexual orientation, employment for a specified or unspecified duration as well as full-time or part-time employment (these circumstances cannot affect the employer's decisions on employment matters). Employees have also right to equal remuneration for identical work or for having an identical value of work. Where the employer fails to treat the employees equally for the reasons presented above (for example by unjustified dismissal of a disabled employee, omitting him from promotion), this is considered to be discrimination. All discrimination, direct or indirect, is forbidden. A discriminating employer is obliged to pay compensation.

### 1.9.1.1. Employment contracts

Employment contracts may take various forms:

- temporary contract for a probationary period, no longer than three months. The contractual conditions may be renegotiated at the transition to permanent employment, or they may remain unchanged. If the parties do not reach agreement as to the future contractual conditions, the contract expires at the end of the probationary period;
- unlimited duration contract, i.e. a permanent employment contract;
- fixed-term contract;
- personal service contract (*umowa zlecenie*) — concluded for the performance of a specified activity, (and not necessarily for a specified period), with remuneration related to the performance of the activity that constitutes the substance of the contract;
- specific task contract (*umowa o dzieło*) — concluded for the performance of a commissioned activity, leading to the achievement of specified results, with the remuneration related to the results of the work. This type of contract is regulated by the provisions of the Civil Code and therefore, the issue of protection of employee rights does not arise.

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

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

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

### **1.9.1.2. Dismissals**

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

An employment contract can also be terminated upon a declaration by one of the parties. In general, the minimum notice period required when dismissing an employee depends on the length of service with the employer (exceptions to the prescribed notice period include a change in ownership or transformation of the company). Standard notice periods of an unlimited duration contract are:

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

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

The following groups of employees are legally protected against dismissal: people within four years of retirement age, pregnant women, women on maternity leave, people on annual leave or sick leave or those who are absent from the workplace at the request of the employer. Notice should be provided in writing and, in the case of a permanent employment contract, it should also state the reasons for the dismissal.

Dismissal without notice through the employee's fault is possible if the employee:

1. seriously violates his basic employment duties;
2. commits an offence, making his employment at the present post impossible, if the offence is confirmed by a legally binding court verdict;
3. loses the license required for performing the duties connected with his post.

Dismissal without notice is also possible:

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

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

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

All litigation between the employer and employee is settled by the Labour Court. In general, proceedings in cases related to the employee's claims under an employment relationship are exempt from court fees.

Collective dismissals are possible in Poland (under the Collective Dismissals Act), but they must generally (with some exceptions) be agreed with the trade unions and require the implementation of official procedures, as well as the payment of severance pay.

Employees of a recently acquired company usually receive a guarantee of employment for a specified period from the investor (as a result of the negotiations of a social package with the new owner). If applicable, the level of the severance pay should also be set during the negotiation process.

### **1.9.1.3. Remuneration**

Salaries should be negotiated individually with every employee, unless they are subject to a collective bargaining agreement. The minimum salary in Poland is negotiated periodically by the Tripartite Commission (comprising representatives of employees, employers and the government). The minimum monthly salary in Poland set for 2006 is PLN 899.10. Basic salaries must be paid at least once a month in cash, in accordance with the rules and regulations that apply at the given workplace. With a few exceptions, salaries must be calculated and paid in PLN. Foreigners may transfer their remuneration abroad once all the relevant taxes have been paid.

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

### 1.9.1.4. Work time

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

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

and the overtime performed cannot exceed four hours per day and 150 hours in a calendar year.

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

An employee working overtime is entitled to an additional:

- +50% of basic pay for overtime work;
- +100% of basic pay for overtime hours on Sundays and holidays, which were not designated as working days for this employee, as well as for night-time work (i.e. between 9:00 p.m. and 7:00 a.m.).

Employees in managerial positions are not entitled to extra remuneration for working overtime. However, if they work on Sundays or on public holidays at the employer's request, they are entitled to a day's leave in lieu (if they do not benefit from financial compensation).

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

Paid leave cannot be renounced or financially compensated. Employees in their first job are eligible to take their first annual leave after one month of employment, to a level of 1/12 of their annual leave. In each subsequent year of employment, the employee is entitled to the full amount of annual leave. The number of days allowed as paid leave depends on the employee's employment history:

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

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

Employees are eligible to 16 weeks of maternity leave at the first birth, 18 weeks for subsequent births or 26 weeks in the case of a multiple birth. At least two weeks of this leave may be taken before the expected delivery date.

Recently (October 2006), however, the Sejm (the lower chamber of the Polish Parliament) passed an amendment to the Labour Code. The amendment provides for an extension to the term of maternity leave. At the first birth, the duration of maternity leave will be 18 weeks, 20 weeks for subsequent births and 28 weeks in the case of multiple births. Furthermore, the amendment changes the working time calculations. In situations where two public holidays appear from Monday to Saturday, the employee's working time is reduced by 8 hours for each of these holidays. This means that employees will not need to make up the working time on another Saturday to meet the statutory work time limit, which has been the usual case to date. It should be emphasized that the procedure for amending the legislation procedure has not yet been completed. It will soon be passed to the Senate (the upper chamber of the Polish parliament), after which it will be submitted to the President for approval. Because the Senate will need to analyse this amendment and may make its own amendments, it is currently difficult to predict its final shape.

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

### *Occupational safety and health (OSH)*

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

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

Before starting work, every employee must obtain a medical certificate stating he is capable of working in the given position (the employer must prepare the application for the medical examination and pass it to the employee).

If the enterprise employs more than 100 employees, it is obliged to appoint OSH staff, which performs control and consulting functions in OSH. Where the number of employees is no more than 100, the employer entrusts the duties of the OSH staff to a nominated employee. The enterprise employing more than 250 employees is obliged to appoint an OSH commission, which is a consultative body to the employer. The commission consists of the employer's representatives, as well as members of the OSH staff and representatives of the employees.

### *Protection of women's work / rights connected with motherhood*

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

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

### **1.9.2. Trade unions**

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

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

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

The Trade Unions Act provides for consultation with trade unions in several cases. According to the Labour Code, an employer is obliged to consult a trade union in the event of the dismissal of an employee on a permanent employment contract. According to the Collective Dismissals Act, consultation with trade unions is also necessary in the event of mass redundancies.

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

### 1.9.3. Employment offices

There are various methods of seeking work in Poland. However, it is recognized that an application (a CV and a cover letter) sent directly to an employer considerably increases the chances of employment. It is possible to seek job offers through state employment services, non-state employment agencies, press advertisements and through the Internet.

#### *State employment services*

There are links to the borough (*powiat*) labour offices on the websites of the regional (*województwo*) labour offices, which post job offers in the Internet. According to the Act on the Promotion of Employment and Labour Market Institutions, citizens of EU member states, as well as citizens of countries with which the European Union has signed agreements on the free movement of persons, have the right to use the labour agency services offered by the Borough and Regional Labour offices. The use of these services is conditioned upon registration at a borough labour office as unemployed or seeking work. Anyone wishing to register as unemployed or seeking work at the local borough labour offices must provide school certificates, work certificates and a personal identification document. Administrative Borough labour offices, as well as information and career guidance centres operating within the framework of the state employment services have computer terminals with Internet connections at their disposal for clients. Both local and national press is also available.

#### *Non-state employment agencies*

Non-state employment agencies have been operating on the Polish labour market for a number of years, conducting personnel search and selection for employers. This recruitment method is becoming increasingly popular, especially in large industrial cities (with populations over 100,000), such as Warsaw, Poznań, Cracow, etc. These agencies are keen to advertise their services on the Internet.

Employment agencies in Poland must be entered into the Register of Employment Agencies held by the Ministry for Economy and Labour. A certificate is issued as confirmation of such an entry. A list of registered agencies may be obtained from regional and borough labour offices, as well as information and career guidance centres. It can also be found on the website of the Labour Office information service, under the heading of employment agencies.

#### *Job offers in the press*

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

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

#### *Job offers in the Internet*

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

### **1.9.4. Residence and work permits**

#### **1.9.4.1. The right of residence**

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

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

**A visa with a work permit** entitles the holder to be employed or be involved in profit-oriented activities. A visa with a work permit can be granted to a foreigner who has received a work permit by the voivod with jurisdiction over the territory where the employer's company has its registered office. The visa is issued for the duration specified in the work permit, but for no longer than one year. The visa may be extended. Afterwards, a foreigner who wishes to remain in Poland must apply for a temporary residence permit. Visas are issued in the home country of the individuals by the Polish diplomatic agencies and consular offices. Visa extensions are issued in Poland by the voivodship authority with jurisdiction over the territory where the foreigner is staying or planning to stay.

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

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



- he can prove his permanent, family or economic relations with Poland;
- he has secured accommodation;
- he has stayed in Poland with permission for at least five years immediately before applying for permanent residence (or three years, based on a temporary residence permit issued for the purpose of reuniting with his family).

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

### **1.9.4.2. Employment of foreigners**

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

- have received a permit to settle in Poland, or
- have refugee status, or
- are UK, Irish, Swedish, Cypriot, Greek, Spanish, Portuguese, Finnish nationals, or
- EU nationals who have worked in Poland on a work permit for at least the previous 12 months.

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

1. the employer who intends to hire a foreigner receives a promise that the work permit will be issued;
2. the foreigner receives a visa with a work permit or a temporary residence permit;
3. the work permit is granted to the foreigner.

Promises to grant a work permit and work permits are issued by the voivod with jurisdiction over the territory in which the employer's company has its registered office.

The promise is granted for a limited period, to a defined person and employer, for a specified position or type of work. The permit is issued on the conditions specified in the promise, for a period that does not exceed the period of residence defined in the visa or the validity period of the temporary residence permit. The voivod may extend the validity of the work permit granted to the foreigner upon the employer's application. If the foreigner already holds a temporary residence permit on the date of submission of the application for the work permit, the voivod decides whether to issue the permit without being obliged to grant the promise.

A foreigner may be employed in Poland without a work permit in the following cases:

- holding training, participation in internships or advisory programs conducted within the framework of EU activities or other international support programs;
- foreigners from countries with which Poland has signed international agreements allowing for employment without work permits;

- foreigners performing art-related services, individually or in teams, for up to 30 days in a calendar year;
- foreigners who have permanent residence abroad and are delegated to the territory of Poland by a foreign employer for a period of no longer than three months in order to:
  - a) perform assembly or maintenance work, or repairs of technologically complete structures, machines or other equipment, if these are manufactured by this foreign employer;
  - b) perform acceptances of machines or other equipment manufactured by a Polish company;
  - c) train the employees of a Polish employer who is the recipient of the structures, machines or other equipment referred to in point a, on the operation and maintenance of this equipment;
  - d) assemble, disassemble and supervise exhibition stands, if the exhibitor is a foreign employer who delegates the foreigner.

A foreigner holding a post in a governing body of a legal entity in Poland requires a work permit, even if the foreigner is not employed under an employment contract and is not paid for this function.

Foreigners holding posts in governing bodies of legal entities that conduct business activities, who maintain their permanent residency abroad and work in Poland for less than 30 days in a calendar year do not need a work permit.

## **1.10. Polish social security system**

Social insurance in Poland consists of pension, disability, accident and sickness insurance. Contributions to the pension and disability insurance are payable until a given individual's gross cumulative annual remuneration exceeds the cap amount (currently PLN 73,560). Sickness and accident insurance contributions are paid at the full amount. The obligatory social insurance contributions are payable on a monthly basis. The employer contributes between 19.71% and 22.42% of the employee's gross salary, and the employee contributes 18.71%, up to the level of his/her cumulative earnings of PLN 73,560 in 2006. Over this threshold, the employer contributes 3.45% - 6.15%, while the employee contributes 2.45%. The amounts of contributions payable by the employer and the employee to each kind of insurance are presented in Table 2 below.

Under the current social insurance regulations, the Polish pension system consists of three pillars:

- Pillar I: each individual or employee has a separate account at the social security (ZUS) office, to which pension contributions are paid. The level of the pension insurance contribution to be retained in pillar I depends on whether the individual is eligible / obliged to participate in pillar II. Participation in pillar I is obligatory for everyone covered by social insurance. If the individual is not eligible for participation in pillar II, the total of his pension

contribution transferred both by him and his employer is retained by the Social Insurance Institution. If, on the other hand, the individual participates in pillar II, part of the employee's contribution (as illustrated in Table 2) is transferred by the Social Insurance Institution to an open-ended pension fund chosen by the individual.

- Pillar II consists of open-end pension funds. Participation in pillar II is obligatory for everyone born after 31<sup>st</sup> December 1968 and optional for people born between 31<sup>st</sup> December 1948 and 1<sup>st</sup> January 1969. People born before 31<sup>st</sup> December 1948 may only participate in Pillar I. As indicated above, a part of the pension contribution of individuals participating in pillar II is transferred from their social insurance accounts to the open-ended pension fund of their choice. Table 2 presents the split of pension contributions between the first and the second pillars.
- Participation in pillar III is voluntary. Within this pillar, contributions are paid either by the employee himself or by his employer (employee pension funds) into life assurance, an investment fund or for additional insurance in a pension fund.

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

*Table 2. Obligatory social insurance contributions paid by the employee and the employer (as of 1<sup>st</sup> April 2006)*

Category of insurance	% contributed	Contribution split	
		Employer	Employee
Pension	19.52% of salary including: — 12.22% of the salary to Pillar I; — 7.3% of the salary to Pillar II.	9.76% of the salary split into: — Pillar I — 9.76% of the salary; — Pillar II — no contribution.	9.76% of the salary split into: — Pillar I — 2.46% of the salary; — Pillar II — 7.3% of the salary.
Disability	13% of salary	6.5%	6.5%
Accident	— employers employing up to nine workers: 1.80% of salary; — employers employing 10 workers and more: the contribution is between 0.9% and 3.6% of salary, depending on the level of	0.9% — 3.6%	—

Category of insurance	% contributed	Contribution split	
		Employer	Employee
	occupational hazard in a given trade.		
Sickness	2.45% of salary	—	2.45%
Additional contributions			
Labour Fund	2.45% of salary	2.45%	—
Employee Benefits Guarantee Fund	0.10% of salary	0.10%	—

Poland joined the European Union on 1<sup>st</sup> May 2004 and, since then, the provisions of EU Regulation 1408/71 have been implemented directly as a part of the Polish social security legislation. This regulation has not replaced the provisions of the national social security law, but harmonized social security systems within the European Economic Area, i.e. within the EU member states, Norway, Iceland, Lichtenstein and Switzerland (which is not an EEA member state, but for ease of reference, for the purpose of this note the term “EEA countries” also includes Switzerland) so as to guarantee that citizens of EEA countries moving within the EEA will not suffer disadvantages in the field of their social security. Therefore, as of 1<sup>st</sup> May 2004, the provisions of Regulation 1408/71 became applicable to citizens of EEA countries performing their duties in Poland (Switzerland adopted this regulation on 1<sup>st</sup> April 2006).

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

Regulation 1408/71 provides for some exceptions to this general rule. One of these, indicated in Art. 14, item 1a stipulates that individuals, who are posted by the organization to which they are normally attached to the territory of another member state to perform work for this organization, shall continue to be subject to their home country’s legislation, provided that the anticipated duration of that work does not exceed 12 months (with possibility of prolonging it for another 12 subsequent months) and that the individual is not sent to replace another person who has completed his/her term of assignment. The exemption works automatically,

which means that home country's social security authorities are obliged to issue a certificate (E101 form) confirming the attachment to the home country social security system if the conditions mentioned above are met. The E101 exemption may be subsequently prolonged upon extension of the assignment for another 12-month period (E102 form), however the host country social security authorities should agree to such an extension.

In the case of longer assignments, an exemption for a period of up to 5 years is only possible following a decision issued under the approval of the social security authorities of both countries. Specifically, Art. 17 of Regulation 1408/71 provides for the ability of the social security authorities of the home and host country to mutually agree on an exception to the general rule under which it is possible to remain in the social security scheme of the home country. Such an exceptional agreement may be granted if, e.g., remaining in the social security scheme of the country of usual employment is in the best interests of the assignee. In this case, the social security authority of the home country issues the E101 certificate of coverage, after seeking agreement for the application of this exception from the social security authority of the host country.

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

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

In cases where an individual performs employment duties in several EEA countries during the period of an assignment, he/she should be subject to social security in their country of residence, if he/she pursues activity partly in that territory, or if he/she is attached to several organizations or several employers who have their registered offices or places of business in the territory of different member states (based on Art. 14 item 2a).

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

## 2. Conducting Business Activities – Basic Regulations

### 2.1. Accounting and finance regulations

#### 2.1.1. Accounting regulations

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

As of 1<sup>st</sup> January 2005, all companies listed on the Warsaw Stock Exchange are obliged to prepare their financial statements in accordance with the International Financial Reporting Standards. In addition, the Polish subsidiaries of companies listed on any regulated market within the European Union may decide to prepare their statutory financial statements under IFRS, as adopted by the EU, rather than in accordance with local accounting laws.

Accounting may be handled by the company itself (at the company's registered office) or by another authorized entity providing external services. The Tax Office should be informed of the latter case in writing.

All accounting documentation, records and reports must be prepared in the Polish language and the Polish currency (*złoty, PLM*). Only the source documents need not be translated into Polish. However, a reliable translation of the specified bookkeeping vouchers must be provided at the request of the fiscal audit authorities or an auditor. All source documents, records and reports for the last five years of activity (including tax returns) must be held by the company. The approved annual financial statements must be retained permanently.

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

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

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

### 2.1.2. Financial statements

The annual financial statements consist of a balance sheet, profit and loss account, additional information (including an introduction to the financial statements), as well as supplementary information and explanations (notes). Companies audited in a given year must also present a cash flow statement and a statement of changes in the company's share capital.

Together with the annual financial statements, the management must prepare a report on the company's activities, which, in particular, contains information on major events that are material to the company's activities, the company's expected development and major achievements in the area of R&D, as well as the company's present financial condition and projections.

### 2.1.3. Audits

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

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

- average annual employment amounted to at least 50 people;
- the total net turnover and financial income amounted to at least EUR 5 million;
- the total balance sheet assets as at the end of the accounting year amounted to at least EUR 2.5 million.

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

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

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

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

## 2.2. Taxes

### 2.2.1. Taxes in Poland

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

The main taxes in Poland are:

- corporate income tax (CIT);
- personal income tax (PIT);
- tax on goods and services (VAT);
- excise duty;
- stamp duty / tax on civil law transactions.

All companies intending to conduct business activities are given a tax identification number (NIP) after registration with the appropriate local Tax Office. Taxpayers are obliged by law to keep their accounts and calculate tax independently.

### 2.2.2. Tax system and regulations

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

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

- the structure of the tax administration;
- general taxation regulations, e.g. payment deadlines and tax arrears;
- tax liabilities of third parties;
- tax information;
- tax proceedings;
- fiscal confidentiality.

Taxes in Poland are administered by:

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



- Tax Chambers — supervise the Tax Offices and are empowered to review the administrative decisions of Tax Offices and Fiscal Audit Offices;
- the Minister of Finance — is responsible for Polish budgetary policy and supervises the entire taxation system.

Taxpayers may appeal to the Tax Chamber against the decisions of the local Tax Office or Fiscal Audit Office. An appeal against a decision of the Tax Chamber may be directed to the Regional Administrative Court. As of 1<sup>st</sup> January 2004, taxpayers are also entitled to resort to the Supreme Administrative Court to review judgments of the Regional Administrative Courts.

As of 1<sup>st</sup> January 2005, new legislation was introduced which allows taxpayers to apply for binding tax rulings. The interpretation helps to avoid certain negative consequences. In particular, the taxpayer who complies with an interpretation arising from the tax ruling obtained would not be subject to penal-fiscal liability and would not be liable for penalty interest on tax arrears in the event of the tax authorities taking a different view on a matter. Currently, during the tax audit, the tax authorities cannot impose an interpretation of the law that differs from that expressed in a previously obtained ruling.

### **2.2.3. Corporate income tax (CIT)**

Companies and organizational units (with the exception of partnerships) are subject to corporate income tax. Taxpayers that have their registered office or their Management Board in Poland, are liable for CIT on their global income. If a corporate taxpayer does not have its registered office or Management Board in Poland, tax is only levied on income derived in Poland, unless double taxation treaties state otherwise. Having satisfied several conditions, companies may establish a “fiscal union”, i.e. a group of companies treated as a single CIT taxpayer (the concept of a “fiscal union” is discussed in more detail in section 2.2.3.5 of this guide).

#### **2.2.3.1. Taxable income and tax rates**

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

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

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

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

A new tax relief for the purchase of new technologies was introduced at the beginning of 2006. This enabled the expenditures of enterprises on new technologies to reduce their tax base by 50% (micro, small and medium-sized enterprises), or 30% (other entrepreneurs). The taxpayer may still depreciate the value of technologies purchased in full. Additionally, the minimum period for the depreciation of costs of completed research work has been reduced to 12 months.

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

### **2.2.3.2. Taxation of dividends**

Revenue (income) from profit distribution of a corporate entity with its registered office in Poland, including dividend income (as well as redemption of shares, liquidation proceeds, income / supplementary capital allocated to the share capital, etc.), is taxed at a rate of 19%. This tax is withheld and remitted by the company paying the dividends. The exemption from withholding tax on revenue (income) from profit sharing in a corporate entity earned by EU companies has been applicable since 1<sup>st</sup> May 2004. In order to benefit from the above exemption, the recipient of the dividend needs to satisfy the following conditions:

- it does not have its registered office in Poland and its Management Board is not located in Poland;
- it is subject to unlimited tax liability in an EU member state (i.e. it is subject to corporate income tax on its world-wide income in an EU member state);
- it holds at least 10%\* of the shares of a Polish company paying dividends for an uninterrupted period of at least two years;

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\* The amendment to the CIT Law of 18<sup>th</sup> November 2004 provides that the 10% shareholding threshold is subject to the transition period ending 1<sup>st</sup> January 2009, during which it will be gradually reduced. The transition periods are as follows:

- from 1<sup>st</sup> January 2005 until 31<sup>st</sup> December 2006 the required shareholding in a Polish company paying dividends is at least 20%,
- from 1<sup>st</sup> January 2007 until 31<sup>st</sup> December 2008 the required shareholding in a Polish company paying dividends is at least 15%,
- from 1<sup>st</sup> January 2009 on, the required shareholding in a Polish company paying dividends is at least 10%.

- the Polish company paying dividends receives a certificate of tax residence from the recipient of the dividend.

In addition, if the requirement to hold shares in a Polish company for two years is not satisfied at the time of the distribution of the dividend, the exemption is still available to the recipient of the dividend. However, if the shares are alienated before the two-year period elapses, the exemption expires and the company paying the dividends is required to pay the dividend withholding tax according to the relevant Double Taxation Treaty, together with penalty interest.

These regulations only apply to companies incorporated in EU member states and since 1<sup>st</sup> July 2005 — also to companies registered in the Swiss Confederation (the list of eligible companies is provided in an appendix to the Corporate Income Tax Act).

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

Where a dividend is paid to a legal person being a taxpayer with residency in Poland, the tax withheld can be credited against its CIT liability. If the tax credit cannot be used in a given tax year, it may be carried forward.

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

Furthermore, underlying tax related to dividends received by a Polish company from an entity that is a resident of a non-EU state with which Poland has concluded a Double Taxation Treaty may be credited against CIT, provided that: (i) the Polish company holds at least a 75% stake in the dividend payer, and (ii) the Polish company has held the shares for at least two years before the distribution of the dividend.

Underlying tax related to dividends received by Polish taxpayers from an entity that is domiciled in an EU member state may be credited against CIT, provided that: (i) the Polish company holds at least a 10% stake in the dividend payer, and (ii) the Polish company has held the stake for at least two years preceding the distribution of the dividend. However, the 10% shareholding threshold is subject to the same transition periods as those specified above for the exemption from dividend withholding tax paid to an EU company.

### **2.2.3.3. Taxation of interest, royalties and intangible services**

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

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

Similarly, the 20% withholding tax applies to royalties and certain intangible services (such as consulting, accounting, market research, legal services, advertising, management and control, data processing, human resources, guarantees and other services of a similar nature), unless a relevant Double Taxation Treaty provides otherwise. In general, payments for intangible services are classified under double taxation treaties as business profits that are not subject to withholding tax in the source country.

The amendment to the CIT Law of 18<sup>th</sup> November 2004 provides that the withholding tax rates that apply to interest and royalties will be subject to a gradual reduction according to the following timetable:

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

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

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

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

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

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

#### **2.2.3.4. Carrying losses forward**

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

The right to carry losses forward is always linked to the entity that incurred the losses, rather than to the entity's specific assets. This means that the tax losses are not transferable with assets or the business (e.g. if the whole of a given taxpayer's operations are transferred to another entity). Furthermore, only in the case of mergers can the tax losses of the surviving companies still be utilized, whereas the tax losses of the acquired companies are forfeited. If the merger results in the establishment of a new company, the tax losses of the merging companies cannot be utilized.

#### **2.2.3.5. Group company regulations**

The CIT Act allows for the creation of a "fiscal union" (or tax consolidated group), under which companies in a group are treated as a single taxpayer of CIT.

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

- the capital group may be established only by limited liability companies or joint-stock companies with registered offices in Poland;

- the average share capital of each member company should amount to at least PLN 1,000,000;
- the holding company should hold at least 95% of the shares in the remaining group companies;
- subsidiary companies cannot be shareholders in the holding company or other subsidiary companies in the group;
- none of the members of the group can have tax arrears (this condition is deemed to be satisfied if a member of the group pays the tax arrears together with penalty interest within 14 days of correction of the tax return / receipt of the tax decision);
- the holding company and the subsidiaries have agreed to establish the capital group for at least three years by means of a notarial deed; the agreement must also be filed with the Tax Office which issues an administrative decision and registers the capital group if all the conditions are met.

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

- none of the companies included in the group can singularly benefit from tax exemptions (excluding VAT exemptions);
- the annual level of the group's profitability cannot be less than 3%;
- companies from the group cannot maintain relationships with companies from outside the group resulting in a breach of the transfer pricing restrictions.

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

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

### **2.2.3.6. Thin capitalization**

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

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

The term "loans" includes also debt securities, deposits and irregular deposits. As of 1<sup>st</sup> January 2005, the thin capitalization restrictions also covers loans granted by Polish tax residents for CIT purposes.

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

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

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

#### *Tax information*

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

The requirements are as follows:

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

#### *Documenting transactions with related parties*

A law was introduced on 1<sup>st</sup> January 2001 on the documentation of transactions with related parties and with companies having their registered offices in tax havens. According to this law, the duty arises to prepare documentation for a transaction (or transactions) concluded between related parties, where the total amount arising from the contract or the amount due (and actually paid) in the tax year exceeds:

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

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

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

### *Advance pricing agreements (APA)*

The provisions related to the APA procedure came into force on 1<sup>st</sup> January 2006. APA allows taxpayers to verify the correctness of the pricing methodology applied in the domestic / foreign related party transactions and ascertain the up-front acceptance of the transfer pricing methodology by the tax administration. Polish law defines three kinds of APAs:

- unilateral;
- bilateral;
- multilateral agreements.

Before the submission of the application for the advance pricing agreement, the domestic entity interested in concluding an APA may request the Ministry of Finance to clarify doubts regarding the individual case, in particular, the usefulness of entering into the APA, the scope of the necessary information to be submitted, as well as the procedure and probable date of conclusion of such an agreement for a particular transaction. The application should be submitted by the Polish entity. The application fee should be paid within seven days of the date of the submission of the application. In the event of any doubts regarding the transaction pricing method chosen by the taxpayer or doubts regarding the content of the documents attached to the application, the Ministry of Finance may request an explanation of such doubts or additional documents. The result of the proceedings is a decision with a validity of no longer than three years. The validity of the decision can be extended on the taxpayer's request. The extended period of the decision's validity cannot exceed a further three years.

The proceedings should be finalized as follows (i) unilateral agreement — no later than in six months from its initiation, (ii) bilateral agreement — no later than one year from its initiation, and in the case of (iii) a multilateral agreement — no later than in 18 months from its initiation. The application fee is 1% of the transaction value, up to a limit of EUR 1,250 — EUR 50,000 (depending on the type of agreement).

Taxpayers requesting APAs in Poland are required to justify the selected transfer pricing method, prepare a description and explain the application of the selected method, indicate



the circumstances that could influence the correctness of the pricing methodology, prepare the documentation used as a basis for setting the level of the transactional prices, *including* e.g. agreements and other documents that indicate the intentions of both parties and propose the tax years to be covered by the APA.

### **2.2.3.8. Branches of foreign companies**

Foreign companies have been able to establish branches in Poland since 1<sup>st</sup> January 2000. The range of activities of these branches is limited to the scope of activities of the foreign entity. The establishment of a branch requires registration in the National Court Register. Such branches are subject to similar tax rules as those imposed on limited liability and joint-stock companies.

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

### **2.2.4. VAT rates and regulations**

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

Value added tax on goods and services (VAT) is a broad-based tax levied on the supply of goods and services in Poland. A Polish entity is required to register for VAT once its annual turnover on transactions subject to VAT exceeds EUR 10,000. Foreign entrepreneurs must register for VAT in Poland before they start any VAT-able activity in Poland (except for limited, clearly specified cases). VAT is imposed on every supply of goods and services at the base or reduced VAT rate, unless the transaction is exempt from Polish VAT.

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

A reduced VAT rate of 7% is imposed on the sale of such products as:

- certain foodstuffs;
- medicines and goods used in health care;
- certain children's goods;
- hotel and catering services (up to 31<sup>st</sup> December 2007);

- construction and repair services related to housing (up to 31<sup>st</sup> December 2007);
- some transport services;
- municipal services (e.g. water supply, sewage treatment, street maintenance, etc.);
- fertilizers.

As of 1<sup>st</sup> October 2006 the reduced rate of 7% is also applied to the supply of the following services:

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

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

A reduced 0% VAT rate may be applied to the sale of books and certain magazines (up to 31<sup>st</sup> December 2007) and some domestic supplies, e.g. equipment for selected ships and airplanes.

A reduced 3% VAT rate is applied mainly to raw materials produced by the agricultural industry (up to 30<sup>th</sup> April 2008).

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

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

Transactions between VAT taxpayers must be documented with a VAT invoice. Sales to individuals who do not conduct business activities must be registered by a fiscal cash register if the turnover with individuals exceeds a specific threshold. This threshold generally amounts to PLN 40,000 (approximately EUR 10,000), but sales of several kinds of goods need to be registered in a fiscal cash register regardless of the value of sales during the year.

Registered VAT taxpayers are obliged to submit monthly VAT returns (or quarterly VAT returns in the case of those having the status of "small taxpayers") to the appropriate Tax Office and keep registers of purchases and sales subject to VAT. In addition to monthly VAT returns, EC Sales and Purchase Lists and Intrastat declarations must be submitted by the taxpayer with respect to its intra-EU transactions.

VAT due must be paid by the 25<sup>th</sup> day of the month following the month (quarter) in which the VAT obligation arises.

Although Polish VAT law is generally compliant with the Sixth Directive of the EU, it contains various country-specific provisions and requirements, which are not common in other local VAT regimes. These are usually very troublesome for foreign entrepreneurs. In consequence, VAT and Intrastat compliance is often a challenge and is being outsourced to firms experienced in Polish VAT settlements. Deloitte offers such assistance. Based on certain rules defined in the decree of the Ministry of Finance, foreign business entities not registered for VAT in Poland may apply for a refund of input VAT incurred on purchases in Poland on a reciprocity basis.

### **2.2.5. Excise duty**

Based on the new Excise Duty Act, which became effective largely on 1<sup>st</sup> May 2004, goods on which excise duty is imposed can be divided into two groups:

Harmonized excise duty goods, i.e.:

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

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

- cars;
- perfumes and cosmetics;
- electricity.

Excise duty is levied on:

- production of harmonized excise goods;
- movement of harmonized excise goods from a bonded warehouse;
- sale of excise goods in Poland;
- exports and imports of excise goods;
- intra-community supply and intra-community acquisition.

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

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

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

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

As a rule, from 1<sup>st</sup> January 2004 capital gains derived in Poland are subject to a 19% linear rate tax. From 1<sup>st</sup> January 2005, capital gains also realized outside Poland have been subject to the 19% linear rate tax. Since 1<sup>st</sup> January 2004, there has been no requirement to pay tax advances on capital gains derived from the sale of shares in Polish companies. With some exceptions, income derived from the sale of shares in Polish companies, is subject to a 19% linear rate tax at the time that the individual files his annual tax return disclosing the capital gains realized during the given tax year. From 1<sup>st</sup> January 2005, income derived from abroad, from the sale of shares in foreign companies, has also been subject to the 19% linear rate tax.

Income from the following sources is also subject to a 19% linear rate tax:

- interest derived from Poland — 19%;
- interest derived from abroad — 19% (from 2005);
- dividends derived from Poland — 19%;
- dividends derived from abroad — 19% (from 2005).

## 2.2.7. Personal income tax (PIT)

Under the Polish PIT Law, individuals may be subject to either limited or unlimited tax liability in Poland. The tax status of a given individual depends solely on whether he has his place of permanent residence in Poland. Given that the term “place of residence” is not defined under the PIT Law, it became common practice to turn to its Civil Code definition, which stipulates that the “place of residence” is a place in which given individual stays with the intention to stay permanently.

Individuals not having their place of residence in Poland will be viewed as Polish tax non-residents subject to limited tax liability in Poland, whereas those having their place of residence in Poland will be regarded as tax residents in Poland subject to unlimited tax liability in Poland.

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

The tax year for individuals is the calendar year.

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

Examples of income exempt from taxation in Poland include:

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

Possible deductions from income include:

- donations made to organizations conducting activities in the field of public welfare, as well as donations made for religious purposes (except for donations to natural persons), up to a level of 6% of the individual's income starting from 2005;
- donations for church charity purposes (applicable only to church legal entities) — no deduction limit is provided (but some additional conditions must be met to take advantage of this deduction);
- contributions paid to the Polish social security system;
- expenses incurred by an individual for using the Internet in the place where the individual lives, up to the value of PLN 760 per year, from 2006;
- expenses incurred for rehabilitation purposes (some additional conditions must be met to take advantage of this deduction);
- interest on loans drawn for housing purposes (some additional conditions must be met to take advantage of this deduction).

Possible tax deductions:

- 7.75% of the basis for calculating healthcare contributions paid by an individual in a given calendar year for his national healthcare insurance in Poland;
- payments to Polish specific welfare organization, up to the level of 1% of the final tax arising from the individual's annual tax return.

The personal income tax rates for 2006 are as follows:

*Table 3. Personal income tax rates for 2006*

Taxable Income	Personal Income Tax
Up to PLN 37,024 (USD 11,570)*	19% minus PLN 530.08 (19% minus USD 166)
PLN 37,024 — PLN 74,048 (USD 11,570 — USD 23,140)	PLN 6,504.48 + 30% of taxable income over PLN 37,024 (USD 2,033 + 30% of taxable income over USD 11,570)
Above PLN 74,048 (USD 23,140)	PLN 17,611.68 + 40% of taxable income over PLN 74,048 (USD 5,504 + 40% of taxable income over USD 23,140)

\*currency translations based on the rate of USD 1 = approx. PLN 3.20

Significant amendments are likely to be introduced to the Polish PIT Law as of 1<sup>st</sup> January 2007. The changes to the PIT Law will need to be passed by the Polish Parliament before 30<sup>th</sup> November 2006. Since the amended provisions have not yet been adopted, we cannot state what they will be, since they are likely to be changed further during the legislative process. However, the major changes shall apply to the individual's tax residency status, which may have an impact on tax planning capabilities in Poland with respect to the current situation.

As a rule, the PIT rates indicated in the table above are applicable to an individual's total income. Notwithstanding the above, the Polish PIT Law provides for linear taxation on certain sources of income (instead of progressive taxation). The following items are subject to a linear tax rate:

- capital gains (see section 2.2.6 above) — 19%;
- income from the sale of real estate (provided that it is non business-related): if the sale of the real estate takes place after five full calendar years from the date of purchase, no tax is levied, otherwise — 10%;
- Polish source income derived by non-residents from independent artistic, literary, scientific, educational and journalistic activities, copyrights and inventions, as well as from personal service contracts, specific task contracts, managerial contracts, or similar contracts and from board member fees — 20%;
- income derived from conducting business activities in Poland (unless the entrepreneur declares otherwise and chooses progressive taxation of his business activity income) — 19%.

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

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

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

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

As a rule, every taxpayer is obliged to file an annual tax return disclosing his aggregate annual income at the end of the tax year. The deadline for filing the tax return and paying the annual tax liability is 30<sup>th</sup> April of the year following the tax year for which the return is filed.

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

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

From 2005, the taxpayer may also file a joint marital annual tax return in the event of the death of one spouse, if this occurred during the tax year or at its end, but before the annual tax return is filed.

## **2.2.8. Double Taxation Treaties**

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

## **2.2.9. Local taxes and charges**

Local taxes include:

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

Local communities are entitled to establish rates for certain taxes. However, these cannot exceed the maximum limits set by Parliament or decrees of the Minister of Finance.

## 2.2.10. Stamp duty

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

- official applications;
- official deeds;
- certificates;
- permits;
- other documents, e.g. confirmations of authorization and bills of exchange.

## 2.2.11. Transfer tax

The following acts are subject to transfer tax:

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

In principle, the tax liability arises at the time when the transaction takes place. Payment should be made within 14 days, together with submission of the PCC declaration form (transfer tax return).

The tax rates are as follows:

1) On sales agreements:

- real estate and chattels — 2%;
- other property rights — 1%;

2) On loan agreements — 2%;

3) On the establishment of mortgages:

- to secure an existing liability — 0.1% of the amount of the secured liability;
- to secure a liability of an unfixed amount — PLN 19.



#### 4) On company deeds:

- 0.5% of the value of the contribution to the partnership or 0.5% of the company's share capital;
- 0.5% of the increase in the contribution or 0.5% of the increase in the share capital;
- on additional payments — 0.5% of the amount of the additional payment;
- on the usufruct of objects or property rights vested in the company without consideration — 0.5%.

The taxpayer is obliged to calculate and pay the tax within 14 days of the date when the tax liability arises.

The remitters of transfer tax are:

- 1) notaries — on civil law transactions effected in the form of notarial deeds;
- 2) purchasers of items — under sales agreements, if the purchaser buys the items for the purpose of processing or resale.

The taxpayer is obliged to submit a tax return (PCC-1) together with the payment. All parties involved in the transaction must sign this tax return. It is therefore advisable to obtain the signatures at the time of execution of the transaction.

## 2.3. Insurance regulations

The following insurance is obligatory under the Polish law:

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

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

The insurance market is monitored by the Insurance and Pension Funds Supervisory Commission. The Commission's main objectives include the protection of consumers and the prevention of the occurrence of instances when insurance companies become unable to meet outstanding insurance portfolio claims. The Commission also issues licenses to insurance agents and brokers and screens the activities of all branches of existing insurance companies.

The permit to conduct insurance activities is granted by the Minister of Finance. A single company may not offer both life assurance and other types of insurance.

An insurance business in Poland can be operated by a joint-stock company, a mutual insurance society or a “primary branch” of a foreign insurance company (based on the reciprocity rule). An insurance company with its registered office in an EU member state may conduct insurance activities in Poland if it possesses an appropriate permit issued by a competent authority of its home state.

The minimum amount of the guarantee fund for a life assurance company operating as a joint-stock company is EUR 800,000, while for a mutual insurance society it is EUR 600,000.

The minimum guarantee fund for a short-term insurance company operating as a joint-stock company is EUR 200,000, EUR 300,000 or EUR 400,000, depending on the type of insurance offered. The levels for a mutual insurance society are set at EUR 150,000, EUR 225,000 and EUR 300,000, according to the type of insurance.

The use of the services of a foreign insurance company in international trade is permissible for the purpose of insuring goods in transport.

## **2.4. Polish trade regulations**

One of the most important implications of Poland’s accession to the European Union is membership of the Customs Union encompassing all 25 member states. For customs purposes, the whole territory of the European Community is recognized as a single customs zone, which implies that as of 1<sup>st</sup> May 2004, no customs duties are imposed in trade between Poland and other EU member states (free movement of goods).

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

### **2.4.1. Import / export licensing requirements**

All business entities operating in Poland (including foreign companies) have equal access to international trade. However, this access is subject to trade policy measures introduced by the EU, which Poland is now obliged to observe. Licensing is a form of trade restriction

imposed by the European Union with regard to certain goods and countries. Importing into Poland is currently subject to the same licensing requirements as importing into all other EU member states. The licensing system is operated by the European Commission in cooperation with the authorities of the member states.

Trading in certain goods (or in certain specific cases), may be restricted by the European Union by value or volume, through the introduction of quantitative import or export quotas. The import of goods covered by an import quota is prohibited outside the quota system. Quotas are allocated among the companies applying for a license. Licenses are valid in all member states, except for situations where the quota is limited to one or more regions of the EU. When the quota is entirely exhausted, imports (exports) are not possible until a new quota is established.

The system of quantitative import quotas is widely applied to the import of steel products and textiles. Imports of textiles, for instance, are subject to presentation of an import license issued by the relevant authorities of one of the EU member states. An import license may be issued upon presentation of a valid export license issued in the exporting country.

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

Separate arrangements are applied to imports and exports of certain agricultural products under the Common Agricultural Policy (CAP), including import/export licensing, quantitative restrictions, export refunds or preferential tariff arrangements.

Licenses and permits for trading in goods that require such licenses or permits are issued by the Minister of the Economy or by the Agricultural Market Agency, which cooperate with the European Commission.

## **2.4.2. Customs tariffs and tariff quotas**

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

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

Preferential rates are applied to countries benefiting from tariff preferences established either unilaterally by the EU, e.g. within the framework of the Generalized System of

Preferences (mainly developing countries), or on the basis of bilateral agreements concluded by the EU with certain countries, e.g. the agreement establishing the European Economic Area (EU, Norway, Iceland and Liechtenstein).

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

The European Union may also introduce additional customs duties in the case of dumped or subsidized imports of certain goods from certain countries. Anti-dumping, anti-subsidy and other safeguard measures are applied after the conclusion of formal procedures by the European Commission.

### **2.4.3. Customs procedures**

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

- 1) release for free circulation;
- 2) transit;
- 3) inward processing;
- 4) outward processing;
- 5) temporary importation;
- 6) processing under customs control;
- 7) bonded warehousing;
- 8) exportation.

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

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

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

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

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

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

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

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

Inward processing may consist of:

- processing of goods, including assembly, or installation in other goods;
- renovation of goods, including restoration and segregation;
- utilization of some goods that are not part of the compensating products, but enable or facilitate their production (if those goods are fully or partially used in the process), excluding tools, equipment and fittings.

Processing under customs control allows for the use of non-domestic products on the territory of the EU in processes that alter their form or substance (without applying customs duties or

trade policy measures) as well as for the release of processed products for free circulation, by applying the appropriate customs charges. In most cases, this procedure is applied if the rate of duty levied on processed goods is lower than the rate levied on imported materials.

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

- it is possible to confirm that the incoming goods will form part of the final processed goods;
- the incoming goods, after being used for processing, cannot be returned to their previous state without incurring substantial costs;
- the application of this procedure will not constitute a circumvention of the regulations on the origin of the goods, or the quantitative restrictions that apply to the end-products being released for free circulation.

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

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

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

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

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

The procedure of outward processing cannot be applied to goods:

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

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

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

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

## **2.5. Currency and exchange controls**

The new Foreign Exchange Law came into effect on 1<sup>st</sup> October 2002.

This Law defines a resident as:

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

A non-resident is:

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

The new Foreign Exchange Law introduces a distinction between non-residents from EU member states and non-residents from third countries, with the third countries limited not only to countries outside the EU, but also to countries other than OECD and EEA (European Economic Area) countries. Non-residents from the territory of the EU (as well as OECD and EEA) have priority and currency transactions have fewer restrictions than currency transactions with non-residents from third countries.

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

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

- to define and accept amounts due from non-residents to residents in a currency other than convertible currency (the list of convertible currencies is published by the President of the NBP);

- to export and transfer abroad domestic and foreign currencies in amounts exceeding EUR 10,000, (in a single transaction), excluding exporting and dispatch of domestic and foreign currencies abroad by non-residents, should they have previously imported them into the country and duly declared this upon customs clearance;
- for residents to export, transfer or send domestic or foreign currencies to third countries, with the aim of starting up or developing business activities in those countries, with the exception of activities such as direct services, the execution of signed contracts and activities consisting of promoting and advertising business activities conducted by the resident domestically;
- for residents to open accounts in banks and branches of banks, located in third countries, both directly and through other entities;
- to make payments between residents in foreign currencies, excluding payments between private individuals, if they are not connected with the management of business activity;
- to manage activities related to the operations of exchange offices.

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

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

As a rule, all operations and payments in Poland are required to be made in Polish currency. Residents are obliged to make foreign payments through money orders and domestic payments to non-residents through authorized banks, if the amount of the money order or a payment exceeds EUR 10,000.

Residents concluding a transaction in foreign currencies abroad are obliged to provide the National Bank of Poland with the data required to prepare a balance of payments and balances of foreign amounts due, as well as the liabilities due to the state.

Non-residents may transfer taxable sums only after the presentation of a confirmation from the Tax Office that due taxes have been paid.

## **2.7. Intellectual and industrial property rights**

Polish law protects intellectual property and prevents unfair competition in industry, literature, scientific achievements and artistic works. This protection relates to the works of



practicing artists, computer programs, soundtracks, radio and television programs, inventions, industrial designs, trademarks, logos and commercially used names.

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

### **2.7.1. Copyright**

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

Works in the following areas of intellectual property are protected:

- those expressed in words, mathematical symbols, graphic signs (literary, journalistic, scientific and cartographic as well as computer programs);
- graphic;
- photographic;
- industrial design;
- architectural and town planning;
- musical and textual, as well as purely musical;
- stage, stage and musical, choreography and pantomime;
- audiovisual (including films).

Copyrights include both proprietary and moral rights.

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

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

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

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

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

### **2.7.2. Patents**

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

- |                            |                        |
|----------------------------|------------------------|
| - patents                  | — 20 years;            |
| - utility models           | — 10 years;            |
| - industrial designs       | — 25 years;            |
| - geographical indications | — without restriction. |

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

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

Patents are not granted for:

- new strains of plants, breeds of animals, biological processes of plant cultivation or animal breeding (however, new types of plants can be protected in Poland in accordance with the International Convention for the Protection of New Varieties of Plants);
- methods of curing diseases in humans and animals, as well as plant protection;
- scientific discoveries, theories and mathematical methods;
- creations which are only of an aesthetic nature;
- plans, principles and methods regarding purely intellectual and business activities, as well as games;
- creations which may not be used on the basis of established scientific rules;
- inventions that conflict with public order or good conduct;
- software (this is protected by copyright law).

Topographies of integrated circuits may also be patent-protected in Poland.

The Patent Office will grant a patent after examining the inventiveness, originality, technical nature and application of the applicant's invention.

### **2.7.3. Trademarks**

Trademarks (the term "trademark" also includes service marks) can be registered in Poland. Trademarks may be protected by law. A trademark is protected through its registration at the Patent Office. It is valid for a period of 10 years from the date of submission of the trademark to the Office. Protection can be renewed by the trademark holder for subsequent 10-year periods. An application to the Patent Office needs to define the product or service that is to be marked by the trademark.

Only a patent agent may act as a representative of a party at proceedings before the Patent Office. A private individual may also be represented by a joint rights holder or his parents, brothers, sisters, descendants or people related through adoption. Anyone not having their place of residence or a registered office in Poland may only act through a patent agent. Poland has several Patent Agencies, of which *"PolSERVICE"* and *"Patpol"* are the largest.

Foreign and Polish legal entities and private individuals are entitled to the same legal protection of trademarks.

A patent holder may grant licenses to third parties.

## **2.8. Competition law**

### **2.8.1. Protection of competition and consumers**

Polish law creates conditions for the development of competition, protects companies against unfair competition and protects the interests of consumers.

Practices restricting competition are prohibited under the Act on the Protection of Competition and Consumers of 15<sup>th</sup> December 2000 (which is soon to be revised in part). Such practices include in particular:

1. Entering into an agreement (with a competitor or a supplier/distributor) resulting in:
  - direct or indirect fixing of prices or other conditions of purchase or sale of products;

- restriction or control of production or supply, as well as technical development or investments;
  - dividing up the supply or purchase markets;
  - application of onerous or non-homogeneous contractual terms in similar transactions with third parties, thus creating different conditions of competition for these parties;
  - making the conclusion of an agreement subject to the acceptance or fulfilment of another activity by the other party, which is neither substantially nor customarily related to the subject of the agreement;
  - restriction of access to the market or the elimination from the market of entrepreneurs who are not party to the agreement;
  - collusion in the terms and conditions of a bid submitted by entrepreneurs taking part in a tender, in particular, with regard to the scope of work or the price.
2. Abuse of dominant market power, in particular by:
- directly or indirectly imposing unfair prices, including predatory or glaringly low prices, significantly delayed payment terms or other conditions of purchase or sale of products;
  - limiting production, supply or technical development to the detriment of contractors or consumers;
  - imposing onerous or non-homogeneous contractual terms in similar transactions with third parties, thus creating diversified conditions of competition for these parties;
  - making the conclusion of an agreement subject to the acceptance or fulfilment of another activity by the other party, which is neither substantially nor customarily related to the subject of the agreement;
  - counteracting the formation of the conditions required for the emergence or development of competition;
  - imposing onerous contractual conditions by the entrepreneur, through which he gains unjustified profits;
  - creation of onerous conditions of redress for consumers;
  - dividing up the market by territorial, product or entity-related criteria.

In this respect, it is important to remember that under the Act, there is a presumption (which can be rebutted) that an enterprise has dominant market power when its share of the relevant market exceeds 40%.

The body responsible for promoting and protecting fair competition in Poland is the President of the Office for Competition and Consumer Protection. The President of the Office may take action to prevent practices restricting competition which take place in Poland or have an impact on the Polish market. He can, in particular, order the stoppage of such practices, the introduction of new clauses or amendments to existing contracts, or even consider an entire contract or some of its provisions null and void.

Moreover, certain transactions (such as mergers, takeovers of the whole or part of the property of another company, or the acquisition of direct or indirect control over one or several companies, or the acquisition of stocks or shares in another company resulting in holding at least 25% of votes in that company) must be reported to the President of the Office before they come into effect. The conditions for such notification are that the aggregate turnover of the enterprises taking part in the planned transaction (and their groups) exceeded the equivalent of EUR 50 million in the year preceding the notification, none of the Act's exemptions are met and the transaction has an impact in Poland. The President of the Office may prohibit a concentration if it could result in a significant restriction of competition on the market, in particular, by the emergence or strengthening of dominant market power.

Foreign investors establishing businesses in Poland, acquiring shares in existing companies or acquiring companies through privatization should ensure that these procedures are approved by the President of the Office if such transactions are encompassed by the pre-merger notification requirements of the Act.

If the President of the Office finds that a particular entity restricts competition or the conditions required for its existence, he can impose a financial penalty on this entity (of no more than 10% of the revenue earned in the accounting year preceding the year in which the penalty is imposed), or even order the dissolution, closure or demerger of that entity. The President of the Office can also impose financial penalties on parties for not complying with his decisions and/or instructions.

## 2.8.2. Prevention of unfair competition

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

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

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

- misleading name of an enterprise;
- false or fraudulent marking of the geographical origin of goods or services;
- misleading marking of goods or services;
- violation of business secrets;
- inciting termination or non-performance of a contract;
- imitation of products;

- making allegations or praising products unfairly;
- impeding market access;
- bribery of a person holding a public post;
- unfair or illicit advertising;
- sale of goods or services granting a free bonus that is made up of goods or services that differ from those which are sold (except products of small value, samples of goods or goods won in promotions or lotteries);
- in promotional lotteries — composing offers in such a way that the consumer is sure of winning if he orders the goods or services contained in the promotion, or pays an amount in advance to the offering party;
- organization of pyramid selling systems;
- for discount store networks — introduction of own brand goods into trading for an amount exceeding 20% of the value of the turnover;
- business activities involving the management of a property erected in a group with the participation of consumers and aimed at financing purchasing rights, chattels, real estate or services to the benefit of participants of the group (consortium system).

The entrepreneur whose interest is threatened or infringed by an act of unfair competition can request:

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

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

### **2.8.3. State aid regulations**

State aid seriously disrupts normal competitive forces by giving certain firms or products favoured treatment to the detriment of other firms or products. Consequently, state aid that distorts competition in the single market is prohibited by the Treaty establishing the European Community.

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

- aid to remedy the damage caused by natural disasters or exceptional occurrences;
- aid designed to:
  - promote the economic development of areas where the standard of living is abnormally low and where there is serious underemployment;

- promote the execution of an important project of common European interest or to remedy a serious disturbance in the economy of a member state;
- facilitate the development of certain activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent that is contrary to the common interest (from Article 87 (3) EC).

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

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

Exclusive authority for scrutinizing the state aid schemes of EU governments lies with the European Commission. As with any other member state, Poland is required to notify the European Commission of the proposed state aid in advance for clearance. The Commission also has the power to demand that aid granted by member states which is incompatible with the single market is repaid by the recipients.

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

From 1<sup>st</sup> January 2007 (when relevant State aid implementing legislation will take effect, replacing the current applicable 2004 regulations) the maximum intensity of aid allowed will amount to:

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

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

Newly created small enterprises will include any microenterprises and small enterprises that were established less than five years ago.

The 50% intensity means that enterprises may obtain aid that does not exceed 50% of their investment outlays or 50% of two - year labour cost of newly employed workers in case of aid for creation of new jobs. For micro and small enterprises, intensity of regional investment aid will be increased by 20% and for medium-sized enterprises the intensity will be increased by 10%. In accordance with the new Guidelines on National Regional Aid for 2007-2013 (which are not fully in place yet), applicable ceilings could be increased by up to an additional 20% of the investment for aid granted to small enterprises and by up to an additional 10% of the investment for aid granted to medium-sized enterprises.

There are several block exemption regulations in force, including aid to SMEs, aid for training, aid for employment and *de minimis* aid (up to EUR 100,000 over a three-year rolling period — please note that there is a draft proposal increasing the specified amount of *de minimis* aid to EUR 150,000 over a three-year rolling period, currently pending). Additional block exemption regulations should be adopted in the coming years. State aid granted in compliance with block exemptions is subject to requirements lighter than notification to the Commission.

## 2.9. Product certification

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

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

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

- active implantable medical devices;
- lifts;
- noise-emitting equipment for outdoor use;
- recreational craft (boats);
- machinery;
- explosives for civil use;
- non-automatic weighing instruments;
- low voltage electrical equipment;
- simple pressure vessels;
- refrigerators and freezers;



- hot water boilers;
- ballast for fluorescent lighting;
- personal protective equipment;
- equipment for use in explosive atmospheres;
- pressure equipment;
- gas appliances;
- medical devices;
- in vitro diagnostic medical devices;
- cableway installations for people;
- radio and telecommunications terminal equipment;
- construction products;
- toys;
- packaging;
- high speed rail systems;
- rail equipment;
- airplanes;
- materials which have contact with food;
- bio-components;

Medicinal products are subject to registration in the Register of Medicinal Products and Medical Devices following receipt of a positive result from laboratory tests and the official launch of such products onto the market.

## **2.10. Regulations for entering into contracts**

According to Polish law, everyone has the right to draw up and enter into contracts. Contract types and the signature process are subject to the regulations of the Civil Code. If a specific contract is not listed in the Code, the general rules apply.

Contracts involving a Polish party may not conflict with Polish legal regulations. Should a conflict arise, Polish jurisdiction is deemed to be binding. The appropriate procedure is provided for by the Civil Procedure Code.

The parties to the contract may decide to apply to the arbitration court (the written agreement of both parties is required to do this) instead of standard legal action. They may apply to an existing arbitration court or agree to establish their own. An arbitration clause setting out the procedures to be followed in the event of a dispute is commonly included in contracts. The clause allows parties to select their own arbitration court, country under whose jurisdiction the contract will fall and forms of compensation.

If at least one party to a contract is Polish — whether a private individual or an entity without legal personality conducting activities in Poland — the contract must be concluded in the Polish language.

## 2.11. Regulations governing mergers and acquisitions

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

**Acquisition** — The transfer of all assets of a company into another, in exchange for shares, other securities or cash. The purchasing company acquires all the rights to the target company from the moment of its deletion from the National Court Register.

**Merger** — The establishment of a new limited liability or joint-stock company. Assets of the merging companies are transferred into the new entity in exchange for its shares. The management bodies of the merging companies are obliged to draw up a charter for the new company. Once the new company is entered onto the appropriate register, separate legal existence of the merging companies ends.

Companies may merge with other companies and partnerships. However, a partnership may not acquire a company (limited liability or joint-stock). Partnerships can merge with each other only by establishing a new company. All partnerships and companies can be converted into another partnership or company.

The merger of companies may result in the need to apply to the Office for Competition and Consumer Protection for a permit and if the merger involves a public company, certain obligations resulting from regulations on capital markets need to be satisfied.

The most frequent method of acquiring control over a company is the purchase of its shares.

## 2.12. Bankruptcy and restructuring

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

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

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

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

Every creditor of an insolvent company should lay claim to his liability in writing. Upon completing the list of liabilities, a plan is drawn up for the distribution of its assets. This specifies the sum to be distributed, the list of all liabilities and the amount due to each creditor. Liabilities are repaid in the following order:

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

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

The Bankruptcy Law also contains regulations on the restructuring process which may be initiated by a debtor being an entity registered in the National Court Register and is under threat of insolvency (i.e. it appears obvious that the entity is likely to become insolvent). Such companies may initiate and conduct proceedings aimed at reducing debts or repaying them in instalments, as well as securing the payment of these debts. The procedure is supervised by a court-appointed supervisor, but conducted by the debtor who has a large amount of discretion in the whole process.

## **2.13. Public procurement regulations**

A public procurement contract worth more than EUR 30,000 or a purchase made with public finance co-funding in excess of EUR 30,000 must be published in the Public Procurement Journal issued by the Public Procurement Office.

Public orders can be granted only to a supplier or performer who was chosen by means of:

- an unlimited tender;
- a limited tender;
- a two-stage tender;
- negotiations in a competitive environment;

- a price enquiry;
- a single-source order.

The most commonly used form is the unlimited tender. Any method other than an unlimited tender for a procurement worth more than EUR 200,000 must be approved by the Public Procurement Office — the authority supervising public procurement procedures.

The contracting party is obliged to treat all companies submitting bids equally and to conduct all the tender procedures leading to the selection of the final supplier in a manner that ensures fair competition. Domestic and foreign suppliers (or contractors) take part in the procedures on an equal basis. The contracting party, however, may restrict participation in the procedures to domestic companies on condition that the value of the procurement, or the stake of the public finance contribution, does not exceed EUR 30,000.

Irrespective of the value, tenders for the procurement of construction works and services may be limited to domestic companies or may require that only Polish materials and products be used.

The contracting party may pre-qualify suppliers and contractors before the announcement of a tender or application to take part in the public procurement process. Information on pre-qualification is announced in the Public Procurement Journal or sent to suppliers or contractors, in accordance with the regulations defining the procedure for inviting participation in procurement proceedings, no later than one month before the tender notice is published or invitations to participate in the procurement proceedings are sent.

The contracting party is obliged to draw up a protocol during the procurement process, which should provide general information on the subject of the procurement, details of the respective bids, etc., including reasons for rejecting bids and providing substantiation for the choice of winner.

The supplier or contractor taking part in a tender is obliged (with some exceptions) to pay a tender deposit of between 0.5% and 3% of the value of the procurement. The deposit should be paid in cash, or in the form of a bank guarantee or surety, insurance guarantee, bills of exchange guaranteed by a bank and, with the consent of the contracting party, in the form of endorsed cheques.

Contracts for the performance of the substance of public procurement are governed by the provisions of the Civil Code and the Code of Civil Proceedings, unless the Public Procurement Act provides otherwise.

Suppliers and contractors submitting tender proposals have the right to protest against the tender process. Protests may be filed within seven days of the date on which the supplier or contractor learned or could have learned of the circumstances giving grounds for filing the protest.

# III. Investment Incentives

## 1. Foreign Investment Policy

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

## 2. Grants and Incentives in Poland in 2007-2013

### 2.1. Regional Aid Map

#### 2.1.1. Regional Aid Map in Poland

In the coming financial perspective, all regions in Poland will be eligible to obtain regional aid. Based on the New Regional Aid Map covering the period 2007-2013 in Poland approved by the European Commission in September 2006, the aid intensities for particular regions will be changed (in many western regions decreased from 50% down to 40%).

The approved Regional Aid Map in Poland adopts new state aid intensity at the level of 16 administrative units of Poland known as "voivodships". Below table presents appropriate state aid intensity levels for each region of Poland in 2007-2013.

*Table 4. State aid intensity level by regions (2007-2013)*

Region (province)	Ceiling for regional investment aid
Łódzkie	50%
Małopolskie	50%
Lubelskie	50%
Podkarpackie	50%
Świętokrzyskie	50%

Region (province)	Ceiling for regional investment aid	
Podlaskie	50%	
Lubuskie	50%	
Opolskie	50%	
Kujawsko-Pomorskie	50%	
Warmińsko-Mazurskie	50%	
Śląskie	40%	
Wielkopolskie	40%	
Zachodniopomorskie	40%	
Dolnośląskie	40%	
Pomorskie	40%	
Mazowieckie	40%	1.1.2007-31.12.2010
(excluding City of Warsaw)	30%	1.1.2011-31.12.2013
City of Warsaw	30%	

In case of medium-sized enterprises and small enterprises, these intensities are increased by 10% and 20% respectively.

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

## 2.2. EU Structural Funds 2007 - 2013

After Poland's accession to the European Union, investors have a possibility to obtain non-refundable support from EU Structural Funds for innovative investments, protection of environment, research and development, staff training and others.

Within the financial framework of EU Structural Funds in Poland for the years 2007-2013, grant schemes addressing specific areas of support are defined under Operational Programmes. The key Operational Programmes that envisage support to enterprises are the following:

- Operational Programme Innovative Economy;
- Operational Programme Infrastructure and Environment;
- Operational Programme Human Capital;
- 16 Regional Operational Programmes;
- Operational Programme Development of Eastern Poland.

Under **Operational Programme Innovative Economy (OP IE)**, the main goal is the development of Polish economy through innovative enterprises. Therefore, those

investors who intend to start an investment resulting in a new product or process and introduce innovative technological or organisational solutions will be able to apply for an investment grant. Special measures of support will be aimed at supporting the projects based on implementation of a new technology as well as investment projects of significant effect on Polish economy, and R&D activities. Total budget of OP Innovative Economy amounts to **EUR 8.2 billion**.

Among the priorities of **Operational Programme Infrastructure and Environment**, funding will be available for investments with a positive impact on natural environment in the existing enterprises (e.g. modernisation of existing installations resulting in a decrease of natural resources used, implementation of Best Available Techniques, investments in water mains and sewer infrastructure, recycling and neutralisation of waste, including second-use and dangerous waste) as well as construction of environmentally-friendly infrastructure and projects in the area energy security. The budget of OP Infrastructure and Environment will amount to **EUR 25 billion**.

Enterprises will also have a possibility of applying for a refund of training projects aimed at adaptability of enterprises and their employees under **Operational Programme Human Capital**. Training projects eligible for funding might include training, post-graduate studies and e-learning projects for blue and white collar workers. Total budget of OP HC will amount to **EUR 9.6 billion**.

There will be 16 regional Operational Programme for each province of 16 administrative units in Poland, which include supporting projects aimed at increase of entrepreneurship and innovation. Small and medium-sized enterprises are considered as major beneficiaries of indirect and direct support under 16 ROPs. Total budget of 16 ROPs amounts to **EUR 18.8 billion**.

In case of Operational Programme Development of Eastern Poland, enterprises should seek support in the area of research and development. Total budget of OP DEP will amount to **EUR 0.2 billion**.

In case of the investments falling under state aid regulations, maximum value of aid should not exceed state aid intensity levels defined in a given region of Poland. Maximum grant value of non-regional aid (e.g. training grants under OP HC) will be defined in specific documents published by relevant authorities in second half of 2007.

## 2.3. Special Economic Zones (SEZ)

Special Economic Zones (SEZ) are designated areas in the territory of Poland, in which business activities (manufacturing and services) can be conducted on preferential terms. The

zones are not extraterritorial by nature, but they enjoy special relief in taxation and have the infrastructure necessary for starting a business. Entities that are willing to take advantage of the incentives have to obtain special permission for conducting business activities in the SEZ. The managing authorities of the SEZ issue the permit based on the result of a tender or negotiations for conducting business in the Zone.

The incentives for investors in the SEZ are as follows:

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

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

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

*Table 5. Special Economic Zones in Poland*

Zone	Website
SEZ „Euro-Park” Mielec	<a href="http://www.europak.com.pl">www.europak.com.pl</a>
Katowicka SEZ	<a href="http://www.ksse.com.pl">www.ksse.com.pl</a>
Suwałska SEZ	<a href="http://www.ssse.com.pl">www.ssse.com.pl</a>
Legnicka SEZ	<a href="http://www.strefa-legnica.com">www.strefa-legnica.com</a>
Wałbrzyska SEZ	<a href="http://www.invest-park.com.pl">www.invest-park.com.pl</a>
Łódzka SEZ	<a href="http://www.see.lodz.pl">www.see.lodz.pl</a>
Kamienogórska SEZ	<a href="http://www.ssemp.pl">www.ssemp.pl</a>
Kostrzyńsko-Słubicka SEZ	<a href="http://www.ksse.pl">www.ksse.pl</a>



Zone	Website
Slupska SEZ	<a href="http://www.parr.slupsk.pl">www.parr.slupsk.pl</a>
SEZ "Starachowice"	<a href="http://www.sse.com.pl">www.sse.com.pl</a>
Tarnobrzaska SEZ	<a href="http://www.tsse.pl">www.tsse.pl</a>
Warmińsko-Mazurska SEZ	<a href="http://www.wmsse.com.pl">www.wmsse.com.pl</a>
Pomorska SEZ	<a href="http://www.strefa.gda.pl">www.strefa.gda.pl</a>
Krakowski Park Technologiczny (Cracow)	<a href="http://www.sse.krakow.pl">www.sse.krakow.pl</a>

### 3. Duty-free zones

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

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

### 4. Customs (bonded) warehouses

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

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

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

The placement of agricultural goods that are subject to export refunds in a bonded warehouse enables exporters to receive refunds before they are physically exported out of the EU.

## 5. Support for hiring the unemployed

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

The main forms of assistance are:

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

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

## 6. Exemptions from local taxes

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

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

## 7. OECD Guidelines for Multinational Enterprises

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

build an atmosphere of confidence between multinational enterprises and the societies in which they operate.

The text of the *Guidelines* contains recommendations on applying good corporate governance practices regarding human rights, the elimination of child labour and forced labour as well as the prevention of corruption. Companies are also recommended that they ensure that timely, regular, reliable and relevant information on their activities, structure, financial situation and performance is disclosed. When dealing with consumers, enterprises are recommended to act in accordance with fair business, marketing and advertising practices and ensure the safety and quality of the goods or services they supply.

The environment section encourages multinational enterprises to raise their environmental performance through improved internal environmental management and better contingency planning for environmental impacts. Enterprises are recommended to take actions protecting the environment, public health and safety, and generally to conduct their activities in a manner contributing to the wider goal of sustainable development.

Companies are recommended to take into account the established policies in the countries in which they operate and consider the views of other stakeholders, encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees, develop ties with local universities, public research institutions and participate in cooperative research projects with local industry or industry associations. Last but not least, the *Guidelines* recommend companies to encourage their business partners, including suppliers and subcontractors, to apply principles of corporate conduct that are compatible with the *Guidelines*.

While many businesses have developed their own codes of conduct in recent years, the OECD *Guidelines* constitute the only multilaterally endorsed and comprehensive code that governments are committed to promoting. Observance of the *Guidelines* by enterprises is voluntary and not legally enforceable. However, any case of a breach of the *Guidelines* may be submitted to OECD National Contact Points. NCPs are responsible not only for promoting the *Guidelines* and handling enquiries but also for helping to resolve issues that arise in so-called specific instances and acting as a forum for discussion of all matters relating to the *Guidelines*. The Polish OECD National Contact Point is located at Polish Information and Foreign Investment Agency (*Polska Agencja Informacji i Inwestycji Zagranicznych S.A., PAIiZ S.A.*).

The complete text of the *Guidelines* can be found on the OECD and the PAIiZ websites ([www.paiz.gov.pl](http://www.paiz.gov.pl)).

## IV. Poland in Brief

### 1. Key Facts About Poland

#### 1.1. Geographic location and climate

The Republic of Poland is the 9<sup>th</sup> largest country in Europe by geographical area, with an area of approximately 312,685 sq. km, stretching 650 km from north to south. It is often referred to as being located in the centre of Europe because of its proximity to both western and eastern markets. Poland shares borders with Germany to the West, the Czech Republic and Slovakia to the South, the Ukraine, Belarus and Lithuania to the East and Russia to the North.

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

Poland's largest rivers are the Vistula, Oder, Warta and Bug, all of which contribute to the country's water supply. Forests, which cover nearly 30% of the country, provide raw materials for Poland's well-developed timber products industry.



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

Moving southward, the majority of the western, central and eastern regions of Poland are lowlands. The Sudety and Carpathian mountain ranges form Poland's natural southern border. The highest point in Poland is the Rysy peak (2,499 m) in the Polish Tatra part of the Carpathian mountain range. The largest rivers are the Vistula (1,047 km in length), Oder, Warta and Bug. Oder is the natural border with Germany. Both the Vistula and Oder rivers flow northwards across the country into the Baltic Sea.

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

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

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

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

Up to 1998, Poland had 49 provinces, known as voivodships. This changed on 1<sup>st</sup> January 1999, and today, there are 16 provinces, 379 boroughs, or *poviats* (of which 65 are cities with *poviat* status) and 2,478 municipalities (*gmina*). The capital of Poland is Warsaw, with 1.7 million inhabitants (as of 2005), located in the centre of the country on the Vistula river. Other large cities include Katowice, Cracow, Łódź, Wrocław and Poznań. The major seaport cities are Gdańsk, Gdynia, Szczecin and Świnoujście.

REPUBLIC OF POLAND  
ADMINISTRATIVE DIVISIONS (since 1999)



## 1.2. Population and language

The population of Poland is approximately 38.2 million, which represents about 5.3% of the total population of Europe. This makes Poland the 8<sup>th</sup> largest country in Europe and the 32<sup>nd</sup> largest in the world by size of population. Over 98% of the population are ethnic Poles. Germans constitute the largest ethnic minority, followed by the Ukrainians and Belarusians.

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

Poland's workforce is one of the youngest in Europe, with the population of working age exceeding 24.405 million in 2005. The retirement age is 65 years for men and 60 years for women.

*Table 6. Population statistics*

1990 (38.2 million)	Females - 51.3 %	Males - 48.7 %	Urban areas — 61.8%	Rural areas — 38.2%
2005 (38.16 million)	Females - 51.6 %	Males - 48.4 %	Urban areas — 61.4%	Rural areas — 38.6%

*Source: Central Statistical Office (CSO)*

*Table 7. Population of working and non-working age, in %*

	1990	2000	2001	2002	2003	2004	2005
Pre- working age	29.60	24.07	23.20	23.20	21.90	21.20	20.60
Working age	57.50	61.21	61.90	61.80	62.90	63.50	63.90
Post-working age	12.90	14.70	14.80	15.00	15.20	15.30	15.50

*Source: Central Statistical Office (CSO)*

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

## **1.3. Political system**

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

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

### **1.3.1. The President**

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

### **1.3.2. The Parliament**

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

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

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

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



### 1.3.3. The Council of Ministers

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

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

#### 1.3.3.1. The Supreme Chamber of Control

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

#### 1.3.3.2. The Commissioner for Civil Rights Protection (Ombudsman)

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

#### 1.3.3.3. The National Broadcasting Council

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

## 1.4. Central and local government administration

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

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

The responsibilities of the ministries are summarized below:

- **Ministry of the Economy:** policy-making regarding the economic development of the state, coordination of the economic activities of government administration;
- **Ministry of the Treasury:** representing the State Treasury in the area of managing its property, including, in particular, the commercialization and privatization of state-owned enterprises and national investment funds;
- **Ministry of Foreign Affairs:** foreign policy;
- **Ministry of Internal Affairs and Administration:** overseeing internal security and state administration;
- **Ministry of Finance:** tax policy, State Budget and public finance;
- **Ministry of Agriculture and Rural Development:** agricultural policy;
- **Ministry of Science and Higher Education:** supervision of the state policy in the area of science and tertiary education;
- **Ministry of Justice:** maintenance and development of the basic guarantees of the rule of law;
- **Ministry of National Defence:** defence policy, matters connected with the fulfilment of the general duty of national military service;
- **Ministry of Construction:** construction policy;
- **Ministry of Transport:** transport and communications;
- **Ministry of Culture and National Heritage:** supports the arts and culture, protects Polish heritage, implements strategies to promote cultural and heritage attractions;
- **Ministry of the Environment:** environmental protection;
- **Ministry of Health:** administration of the health care system, provision of services to the public through such programs as pharmaceutical policy, community and public health, as well as health promotion and the prevention of diseases;
- **Ministry of Regional Development:** regional policy;
- **Ministry of National Education:** policy for national education;
- **Ministry of Sport:** promotion and development of sports;
- **Ministry of Labour and Social Policy:** social welfare;
- **Ministry of Maritime Economy:** maritime policy.

Under the new administrative division (introduced in 1999), the country is divided into provinces (voivodships), boroughs (poviats) and municipalities (gminas). Representatives of

the Council of Ministers in the voivodships are the marshals (voivods), who also act as supervisory authorities for local government units and represent the State Treasury. A voivod is appointed by the Prime Minister and is responsible for the execution of the government's policy within the voivodship. The voivod is the head of the Voivodship Council, which defines policies and controls the voivodship authorities. The voivod is responsible for organizing the Council's activities and presides over its sessions. The voivod is also the head of the self-government executive authorities of the voivodship and represents it externally.

## **1.5. System of justice**

The bodies of judicial authority in Poland are courts and tribunals which are separate and independent of the other institutions of power. The system of justice is vested in the Supreme Court, the common courts, administrative and military courts. Judges are independent, cannot be dismissed and are subject only to the Constitution and regulations.

Supervision over the activities of common and military courts is exercised by the Supreme Court which hears cases under particular regulations, provides for uniformity and accuracy of interpretations of the law and issues opinions on bills.

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

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

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

## **2. Infrastructure**

### **2.1. Transport and communications**

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

2.1.1. Road system

The road network in Poland is continuously expanding. In 2005, it consisted of 379,455 km of roads, of which 253,781 km were hard-surface roads. It is therefore not surprising that road transport is the preferred method of transporting goods (75.9% of total transport by weight) and passengers (74.7% of total transport). The average road density is estimated to be 80.7 km per 100 sq. km, with the most complex road networks in urban areas, where the density is over 150 km per 100 sq. km. Areas with less developed road systems are the northern and north-eastern regions of Poland.

Table 8. Car travel from Warsaw

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

2.1.2. Motorways

Poland had 570 km of motorways and 238 km of expressways in 2005. Plans have already been approved to extend the motorway network by building six main arteries of a combined length of approximately 2,085 km. The following motorways are currently under construction:

- A1 North — South, linking Gdańsk and Gorzyczki (on the border with the Czech Republic), of a total length of 582 km;
- A2 West — Central East, from the German border through Poznań and Warsaw to the border with Belarus, of a total length of 610 km;
- A4 West — South East, from the German border through Wrocław, Katowice and Cracow to the Ukrainian border, of a total length of 670 km;
- A6 — from the German Border to Szczecin — Wielgowo, of a total length of 29 km;
- A18 — from the German border to Krzyżowa, of a total length of 75 km.

### *Planned motorway network in Poland*



*Source: General Directorate for National Roads and Motorways*

## **2.1.3. Railways**

The railway network covering Poland had a total length of 20,253 km in 2005 and included predominantly standard gauge lines, of which 58.6% are electrically powered. The average density of the railway network is 6.5 km per 100 sq. km. Poland has one of the highest densities of railway networks in the world. The last remaining narrow gauge lines of the total length of approximately 100 km are located in south-eastern Poland, but are due to be replaced. The total length of the railway network in Poland has been steadily declining since the mid-1980s, as lines became less economically viable. Railway transport comprises 21.9% of total cargo transport calculated in metric tonnes per km.

## **2.1.4. Air transport**

The country's main carrier is LOT Polish Airlines, which is a member of Star Alliance. Approximately 11.5 million passengers were carried in 2005 (31% growth from 2004, the highest

in Europe). The largest Polish airport is Warsaw — Frederic Chopin Airport (formerly Okęcie Airport), which is the main domestic and international airport. Other domestic airports (some of which have international connections) include Cracow, Bydgoszcz, Gdańsk, Katowice, Łódź, Poznań, Wrocław, Szczecin, Rzeszów, Szczytno and Zielona Góra. Low cost airlines, such as Wizz Air, SkyEurope, EasyJet, Ryanair, Centralwings, Norwegian, AerLingus, airBaltic and German Wings, are currently also marketing their services.

### *Airports in Poland*



*Source: P.P. "Porty Lotnicze"*

## **2.1.5. Waterways and maritime transport**

The length of inland navigation routes is 3,638 km. Inland waterway transport accounts for 0.67% of all cargo carried. Inland waterways are a less popular means of transport than rail or road. The fleet comprises 827 vessels for cargo transport (barges, pushers and tugs) and 124 passenger ships with a total of 13,615 seats. The Oder, lower Vistula, Warta and Noteć,

as well as the waters near Szczecin and Gdańsk have good conditions for the use of inland waters. The most commonly carried goods are sand, gravel, coal, metal ores and fertilizers.

The main commercial seaports are Gdańsk, Gdynia, Szczecin and Świnoujście. The maritime transport fleet consists of 130 vessels. Maritime transport accounts for 6.6% of all cargo carried.

## **2.2. Telecommunications Infrastructure**

### **2.2.1. Telecommunications systems**

The last decade brought substantial growth in the telecommunications sector, with an increase in the number of customers and the introduction of many new services. Telecommunications are one of the most rapidly developing and most promising sectors of the Polish industry. The value of the Polish telecommunications market increased by 8.1% in 2005 (against 2004). The Polish market is by far the largest among the telecommunications markets of the EU's new member countries. Despite deregulation, voice telephony in Poland is still dominated by Telekomunikacja Polska S.A., with total revenues of EUR 3.03 billion in 2005, followed by Polska Telefonia Cyfrowa Sp. z o. o. with total revenues of EUR 1.67 billion.

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

#### **2.2.1.1. Fixed line telephony systems**

Activities of private operators are usually restricted to local markets. But domestic long distance (DLD) and international call services are now offered by a growing number of operators, some using their own physical network, some offering services using the networks of other operators through interconnect agreements. Services of these alternative operators can be used by dialling a prefix between the 0 and the area code. Some examples of operators and their prefixes are: NOM — 1044, Netia — 1055, Energis — 1066, Dialog — 1011, MINI — 1042, Premium Internet — 1077 and DRSA — 1051.

But the wide choice of service providers is not easily accessible: subscribers of Telekomunikacja Polska S.A. either need to sign an agreement with the alternative DLD operator (with an option of pre-selection to avoid the cumbersome dialling of the prefix) or use an operator which offers prepaid cards.

Available services include 0-800 telephone number facilities, which allow customers to call a company's private number free of charge and 0-801 telephone numbers, where the customer covers only a part of the call's cost. Services offered also include corporate lines (0-804), televoting (0-707), videoconferencing, satellite connections (Inmarsat offered by Telekomunikacja Polska S.A.) and many others.

### **2.2.1.2. Internet**

Numerous ISPs offer a very wide range of Internet access, ranging from giants, such as Telekomunikacja Polska and NASK, to small local Internet service providers. Internet access can be provided in many ways: from dial-up, copper and fibre optic cable connections, to WAP, GPRS (GSM), to satellite and radio connections.

The main provider of Internet services, with a market share reaching 65%, is Telekomunikacja Polska S.A. with Neostroda, an ADSL-based solution. The value of Poland's Internet services market is estimated at EUR 500 million. Its growth rate exceeds 25% annually.

In the first half of 2005, there were approximately 8.8 million users of internet in Poland (1.1 million more than in the first half of 2004).

### **2.2.1.3. Mobile telephony**

The mobile telephony market has been booming since 1996, with ownership of mobile telephones reaching 29.2 million in 2005. Compared with 2004, the number of subscribers increased by 26%. Nokia is the most popular brand of mobile handsets on the Polish market. Other brands with large shares include Motorola, Samsung and Sony Ericsson.

Second generation mobile telephones (GSM) are used in Poland and operators have already started to launch third generation (UMTS) telephones.

Competition in 2005 was strong and included three operators: Polska Telefonii Cyfrowa (PTC) with 34.97% of the market, Polkomtel with 31.02% and PTK Centertel with 34.01%. The three operators provide GSM services over three independent networks:

- |                        |                 |
|------------------------|-----------------|
| - Plus GSM — Polkomtel | — GSM 900, DCS; |
| - Era GSM — PTC        | — GSM 900, DCS; |
| - Orange — Centertel   | — GSM 900, DCS. |



Over 95% of Poland's territory has GSM 900/DCS coverage. The range of services offered is typical of GSM operators throughout Europe and the Polish operators are keeping up with the latest trends.

All three players on the market have launched 3G services and are expanding their 3G networks independently. By the end of September, Orange was providing 3G services in 6 agglomerations. 3G services provided by Plus GSM were available in 11 large cities and Era GSM had a presence with 3G in 8 large cities and several dozen nearby towns.

## **2.3. Telecommunications density**

At the end of 2005, Poland had 309 fixed line telephones per 1,000 inhabitants.

Approximately 80.8% of the 11.803 million telephones are installed in cities, whereas only 19.2% are found in rural areas. Private subscribers own approximately 76.5% of fixed line network telephones. Although the number of mobile telephone owners grows faster than number of subscribers of fixed telephones line.

## **2.4. Data transmission systems and density**

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

Larger companies may use POLPAK-T, based on the Frame Relay/ATM system. Its major facilities are permanent virtual circuits and virtual private networks. This facility is suitable for companies with offices and branches located in large Polish cities. The network was launched in 1996. Today, the services are offered through the network using the ATM system at a speed of 155 Mbit/s, while some sections of Metropolitan Area Networks operate at 622 Mbit/s.

NASK is another company offering corporate networks using Frame Relay and ATM technologies. The company also offers corporate networks with multinational capability and has recently implemented international IT carrier services with guaranteed bandwidth, offering direct worldwide web access to other service providers.

More demanding entities may connect directly to European networks (for example, e-bone, which is offered by some ISPs).

## **3. Natural Resources**

### **3.1. Coal and lignite**

Poland has significant reserves of coal and lignite. Natural coal reserves are estimated at almost 44 billion metric tonnes. Most of the domestic coalmines are located in the Upper Silesia (Górny Śląsk) region, which is the densest industrial area in Poland.

Bituminous coal production in 2005 was 98 million metric tonnes, i.e. higher than domestic consumption, with part of the surplus exported and the remainder resulting in increased stocks.

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

### **3.2. Oil and gas**

89 oil deposits were identified in Poland in 2004, of which approximately 69 were being worked.

Geologically documented resources are estimated at 20 million metric tonnes and are mostly located in south-eastern and northern Poland. The structure of the deposits and, in some cases, their location limits the opportunities to increase production, therefore Poland is forced to import both oil and petroleum products. 848,000 metric tonnes of oil were produced in 2005 whereas imports constituted over 17.4 million metric tonnes.

Processed fuels are sourced mainly from Polish refineries, because of barriers (both logistical and customs) on imported products. Imported products are used to a limited extent near the borders with the Czech Republic and Germany.

Poland is an importer of natural gas, the imports of which satisfy about 73% of the country's demand. The country has insufficient production of nitrified natural gas.

Gas deposits are estimated at 154 km<sup>3</sup>. Those located in south-eastern Poland are considered most attractive, as this gas has a high calorific value. Most of Poland's gas supply is currently imported from Russia.

### **3.3. Other deposits**

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

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

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

### **3.4. Crops and livestock**

Cereals, potatoes and sugar beet are the main crops in Polish agriculture. Poland is a major producer of apples, cabbage and rye. The cattle livestock is estimated at almost 5.5 million heads and approximately 18 million pigs are bred for consumption.

## **4. Energy Sector**

In 2005, Polish power stations generated a total of 153 TWh of electricity. Annual electricity generation is 4,037 kWh per inhabitant.

The main materials used for generating electricity are coal and lignite. A small percentage of the total amount of electricity produced is generated by hydroelectric plants located on major rivers. Poland has no nuclear power stations.

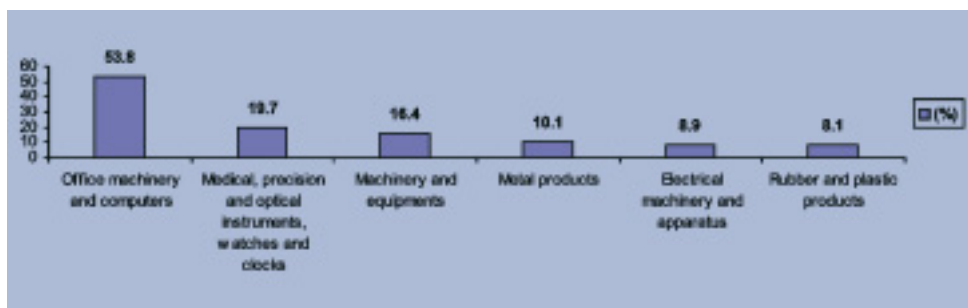
The energy sector, formerly 100% state-owned, is currently being privatized. The process includes power stations and electricity distribution companies throughout the country.

## 5. Industry

In 2005, industry accounted for 24.9% of Poland's GDP. Value added in industry accounted for PLN 214.6 billion. The private sector accounted for 81.6% of total industrial production sold, which, in absolute terms, amounted to PLN 716 billion.

Figure 1, illustrating the results of some industries for 2005, illustrates that production of office machinery and computers; medical, precision and optical instruments, watches and clocks; machinery and equipment; metal products, electrical machinery and apparatus; rubber and plastic products sold increased significantly with respect to 2004.

*Figure 1. Changes in industrial production sold in 2005 (constant prices, in %)*



Source: Central Statistical Office (CSO)

Poland is becoming the European centre of modern business process outsourcing (BPO) services. BPO centres in Poland are owned mainly by large international companies and provide services related to IT systems, finance and accounting, research and development, storage and warehouse logistics and others. It is estimated that 550,000 people will find employment in this sector by the end of the year 2010.

Poland is famous for the avionic production and maintenance. Over 50 aviation companies operate in Poland, employing 16,000 people. The 'Aviation Valley' located in the south - western part of Poland contains a group of manufacturers, scientific research and training centres associated with avionics, including a university with a faculty of mechanical engineering and aviation.

Poland is also one of the leading producers of yachts. 845 boat building and servicing businesses were registered in 2004. Polish boat builders specialize in small and medium-

sized yachts of up to 7.5 metres in length. Polish yachts are known for their high quality laminates, precise outfitting, modern construction, precise handcrafting and attention to detail. They are mainly exported to Spain, Germany, France and Great Britain.

Poland offers the best location for companies producing components for the automotive industry. Polish specialties are tyres, car seats and upholstery, car electronics, electrical cables and car brake systems. The inflow of foreign investments into the automotive sector in recent years has resulted in rapid development of the base of subcontractors, which is currently estimated at 650 manufacturers. More than 200 of these have the highest certificate of quality — ISO/TS 16949.

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

Polish agricultural goods have an excellent reputation in Europe. They are considered healthy, organically grown and of high nutritional value. Poland is the largest producer of apples in Europe and a leader in the production of soft fruit, such as raspberries, blackcurrants, strawberries and cherries.

## 6. Tourism

Poland is the 13<sup>th</sup> most frequently visited country in the world and the most frequently visited country in Central Europe. More than 64.6 million foreigners visited Poland in 2005 (4.3% growth from 2004), of whom 15.2 million were tourists (6.4.% growth from 2004), mainly from Germany and the Czech Republic.

Over 83% of foreigners enter Poland through road border crossings. In 2005, 25% of visitors declared that they came to Poland on holiday; 27% came on business and 18% came to visit family and friends.

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

Poland's hotel infrastructure is expanding, with 2,214 hotels operating in 2005. The total number of beds is approximately 569,900, of which 127,500 are in hotels. Boarding houses

offer 11,000 beds, while motels offer over 4,400. Almost 49,700 beds are offered by training and recreational centres. The catering network has expanded in line with the growth in the accommodation infrastructure.

Poland is ranked 7<sup>th</sup> in Europe in terms of number of health SPAs. More than 321 SPAs offer health facilities and treatments in 75 places located in areas which are unique for their natural healing environments. The largest of these include Nałęczów, Krynica Zdrój, Augustów, Kołobrzeg, Ciechocinek, Rabka, Duszniki Zdrój and Wieliczka — an underground SPA in a former salt mine.

## **7. Polish Banking and Financial Institutions**

The banking system in Poland comprises the central bank (the National Bank of Poland, NBP) as well as commercial, retail, foreign and investment banks.

Activities of banks in Poland are supervised by the Commission for Banking Supervision, a separate body within the National Bank of Poland subordinated directly to the President of the National Bank of Poland. The Commission for Banking Supervision issues licenses for establishing banking activities.

Payment cards are commonly used, while cheques are available, but seldom used in Poland. The use of cheques as legal tender in international transactions is not recommended.

Loan amounts and interest rates on loans granted by banks depend on each bank's assessment of the borrower's creditworthiness and the risk related to the financing. Banks generally require a business plan and details of the borrower's financial standing. Collateral and bank guarantees are frequently required before a loan is granted.

### **7.1. The National Bank of Poland**

The National Bank of Poland (NBP) is the central bank of the Republic of Poland. It is the exclusive issuing institution of the Polish zloty (abbreviated to zł or PLN; PLN 1 = 100 groszy) and has the exclusive right to set and implement monetary policy. The NBP is held accountable for price stability and the zloty (PLN) exchange rate. Apart from its role as the only organization authorized to issue the Polish currency, the NBP also acts as the bank of the state and the bank of banks.

The management authorities of the NBP are the President of the NBP, the Monetary Policy Council and the Bank's Board of Directors. The Monetary Policy Council lays down the

foundations for monetary policy, sets interest rates and defines the level of obligatory reserves for commercial banks. The Board of Directors is charged with implementing this policy. The Board of Directors is independent of the government.

## 7.2. Commercial banks

60 commercial banks currently operate in Poland. In addition, 19 foreign banks have established representative offices. The vast majority of the commercial banks are controlled by private shareholders. Only one state-owned bank currently exists — Bank Gospodarstwa Krajowego SA. Foreign investors exert influence over 44 banks and hold more than 59.9% of the sector's equity. The greatest proportion of the foreign capital in banks comes from Germany (19.4%), followed by Italy (11.3%), US (8.4%), the Netherlands (8.1%), Ireland (4.9%) and Belgium (4.6%). The asset value of the Polish banking sector in 2005 amounted to PLN 587 billion.

Considerable progress has been made in retail banking in recent years. Polish banks have adopted the most modern solutions and introduced new services, such as 24-hour access to accounts via the Internet, as well as fixed line and mobile telephones. Internet banking is developing rapidly, attracting a wave of new customers: in 2005, the number of users of internet banking accounts was estimated at over 1.9 million.

20,370,300 payment cards were in circulation in the fourth quarter of 2005, of which 4,158,200 were credit cards. Both ATMs and commercial entities accept popular credit cards (VISA, MasterCard, Diners Club and American Express) and payment cards (VISA Electron and Maestro). In 2005, there were approximately 8,776 ATMs throughout the country.

The improvement in retail banking services has also had a positive effect on service levels offered to corporate customers. It is obligatory for every company in Poland to have a bank account. The account must be registered with the tax authorities. Registration documents should be presented when opening an account on behalf of a legal person. Every bank account in Poland is protected against unauthorized access by the Secrecy Act and the confidentiality law.

## 8. Stock Exchange and Capital Market Regulations

More than 250 companies are currently listed on the Warsaw Stock Exchange (*Giełda Papierów Wartościowych, GPW*). Most securities and all treasury bonds and derivatives are quoted in the continuous trading system. Only some securities are traded in the single price quotation system.

The following trading systems exist on the WSE:

- single price auction system;
- continuous trading;
- off-session block trades.

The Warsaw Stock Exchange deals in:

- stocks;
- bonds;
- subscription rights;
- futures;
- warrants;
- index-linked participation units.

The stock exchange operates between 9.00 a.m. and 4.35 p.m. of the local time, Monday to Friday.

There is also a Warsaw Commodity Exchange (*Warszawska Giełda Towarowa, WGT*) and the Electronic Treasury Securities Market (Elektroniczny Rynek Skarbowych Papierów Wartościowych, ERSPW), which operates in a similar manner to NASDAQ.

## **8.1. Structure of the Warsaw Stock Exchange**

The Warsaw Stock Exchange was founded by the State Treasury as a non-profit joint-stock company. The highest decision-making body of the Warsaw Stock Exchange is the General Meeting of Shareholders. Its role is to make changes to the Articles of Association and to elect members of the Supervisory Board. It consists of representatives of the State Treasury, banks and brokerage houses (the WSE shareholders).

The Warsaw Stock Exchange's Supervisory Board formulates the Rules of the WSE, controls operations of the exchange, admits securities to trading and grants and recalls stock exchange membership. It comprises 12 members appointed by the General Meeting of Shareholders.

The Management Board coordinates day-to-day operations of the WSE, sets the rules for the introduction of securities to exchange trading and supervises the activities of brokers and brokerage firms in market transactions. The Management Board consists of five members acting under the supervision of the President who is elected by the General Meeting of Shareholders for a 3-year term.

## **8.2. Securities and Exchange Commission**

The Polish Securities and Exchange Commission (SEC) is the only administrative body authorized to admit securities to public trading. An entity willing to publicly trade its shares or bonds is obliged to prepare a prospectus that should include a detailed description of the stock and a detailed information on the company, including its registered office, the nature of its business, the structure of equity, the Management Board, the management style, plans for the future, the last three annual reports and the latest audited annual financial statements.



The SEC ensures that the prospectus satisfies the specific conditions stipulated by the law and grants permission for the stock to be traded. GDRs and ADRs also require the approval of the SEC in order to be issued.

The SEC also exercises administrative supervision over the activities of brokerage houses and grants permits for each specific category of brokerage activities.

Special requirements need to be satisfied to enable the specified limits of votes to be exceeded at the General Meeting of Shareholders:

- 5%, 10%, 25%, 50% and 75% — obligatory notification of the SEC and the company itself, within four days of the date that the limit is exceeded or from the date on which the obligee learned of such a change or could have known of it if appropriate care had been taken.
- 25%, 33% and 50% — obligatory notification of the SEC of the intention to exceed these limits and the receipt of permission to do so.

An investor who has purchased shares giving him over 50% of the votes at the General Meeting of Shareholders is obliged to offer to buy the remaining shares in the company or sell the number of shares required to reduce his voting power to below 50% of votes at the General Meeting of Shareholders. The price offered may not be lower than the average stock price for the previous six months.

Failure to comply with these requirements may result in a fine of up to PLN 1 million.

Foreign investors are generally entitled to transfer all of their profits abroad. Furthermore, capital gains may be transferred abroad without the need to obtain special permission. Foreign investors are generally subject to the same rules and regulations as Polish investors.

### **8.3. Venture capital funds**

Venture capital activities are conducted by investment funds, consulting companies, investment banks, special funds belonging to financial corporations and, recently, also by companies in the IT sector.

Most of these are foreign companies or companies with a foreign shareholder, which is due to the lack of funding and experience in this type of activity on the domestic market. Most companies established by venture capital funds operate in the IT and media sectors.

### **8.4. Financial Supervision Commission (KNF)**

The newly created Financial Supervision Commission (*Komisja Nadzoru Finansowego, KNF*) started its operations on 19<sup>th</sup> September, 2006 in accordance with the Polish Financial

Supervision Act of 21<sup>st</sup> July, 2006. Former Minister of Finance, Stanisław Kluza, was appointed the head of this supervisory body on 28<sup>th</sup> September.

KNF has been given a great deal of authority with respect to the control of the capital, insurance and banking markets. Because of the formation of the commission, KNF will assume the responsibilities of the supervisory bodies of capital (the Polish Securities and Exchange Commission - *Komisja Papierów Wartościowych i Giełd, KPWiG*) and insurance markets (the Insurance and Pension Funds Supervisory Commission - *Komisja Nadzoru Ubezpieczeń i Funduszy Emerytalnych, KNUiFE*). The competencies of the Commission of Banking Supervision (KNB) will also be transferred to KNF in January 2008.

The tasks of the KNF include capital market supervision, insurance supervision, pension scheme supervision and complementary supervision of financial conglomerates. Its aim is to ensure regular operation of this market, its stability, security and transparency. However, the establishing of a new supervisory institution in Poland centralizing competencies previously spread among a few other bodies has been criticized by the European Commission, which is concerned that KNF will lack the independence of the organizations it replaced and could undermine the unbiased supervision of Poland's financial sector.

## 9. Education

### 9.1. The education system

From pre-school education, through primary and lower secondary stage, Polish pupils reach the stage of upper secondary education. Both state and private education institutions exist in Poland. The latter began to appear after 1990. However, at the compulsory education level, almost all pupils attend state schools (99%). A private school must receive permission to operate from the Ministry of National Education.

It acquires legal status and is then registered by the Minister of National Education.

A selection of international schools is available in major cities, where education is provided in English or other languages.

#### 9.1.1. Pre-primary education

The first level of the education system is pre-primary education, for children aged between 3 and 6. Children aged 6 have compulsory one-year's education within the framework of the so-called '0 grade', preparing for primary school education.

#### 9.1.2. Compulsory full-time education

Compulsory education in Poland covers two types of schools: primary and lower secondary schools. Primary school education lasts 6 years, and its pupils are children aged between

7 and 13. Lower secondary school education lasts 3 years and is for children aged between 13 and 16. Age is the only criterion for being accepted into primary school, and a certificate of having finished primary school is required for admittance to lower secondary school. Catchment areas apply — parents are obliged to register their children with schools located nearest to their homes.

The school year is divided into two semesters and lasts approximately 185 days, from September to June. School education is generally spread over 5 days a week. Teachers examine the knowledge and skills acquired by pupils at school in the form of both written and oral tests. Pupils not obtaining satisfactory results must repeat a year.

A new system of external examination of pupils at the end of primary school and lower secondary school was introduced in Poland, starting from the 2001/2002 academic year. Pupils sit a compulsory examination at the end of 6 years of primary school (at the age of 13). Their next compulsory final examination comes at the end of the 3-year lower secondary school (at the age of 16). Results are stated on the lower secondary school graduation certificate.

### 9.1.3. Upper secondary and post-secondary education

The following types of schools exist at this level in Poland: general education upper secondary school (*liceum ogólnokształcące*), with pupils aged from 16 to 19, specialized upper secondary school (*liceum profilowane*), with pupils aged from 16 to 19, technical college (*technikum*), with pupils aged from 16 to 20, and basic vocational school (*zasadnicza szkoła zawodowa*), with pupils aged from 16 to 18-19. Admittance to these schools is conditional upon having a lower secondary school graduation certificate.

Moreover, two types of supplementary schools have been created for graduates of 2- or 3-year basic vocational schools: supplementary general education secondary school (*uzupełniające liceum ogólnokształcące*), with students aged from 18-19 to 20-21 and supplementary technical college (*technikum uzupełniające*), with students aged from 18-19 to 21-22. Graduates of general education upper secondary schools may continue studying in post-secondary schools (*szkoła policealna*), with students aged from 19 to 21.

Having completed this level of education, all schools (except basic vocational) organize final examinations (baccalaureate). A new, completely external form of the final examinations was introduced as of the 2004/2005 academic year. The baccalaureate certificate is required when applying for higher education. Basic vocational schools issue a basic vocational school graduation certificate (which allows pupils to enter the employment market). Post-secondary schools (*szkoły policealne*) prepare their students for professional life. At graduation, students obtain the title of "skilled worker", "technician" or an equivalent professional title.

The introduction of an external standardized vocational examination at the end of 2 - 3 year basic vocational school is being planned.

There are almost 30 international schools in Poland. Classes, in most of them, are held in English, but also in German, French and Japanese in some. 15 of these international schools are located in Warsaw. The remainder are in Gdańsk, Gdynia, Kielce, Cracow, Łódź, Poznań, Szczecin and Wrocław.

### 9.1.4. Higher education

At this level of education, students may choose between higher vocational courses (*wyższe studia zawodowe*), supplementary master's degree courses (*uzupełniające studia magisterskie*) and uniform master's degree courses (*jednolite studia magisterskie*).

*Table 9. Students of higher education establishments (2005/2006)*

Field of education	No. of students (in '000)
Education and teacher training	250.6
Arts	22.2
Humanities	156.5
Life sciences	13.7
Social and behavioural sciences	264.7
Business and administration	501.8
Law	54.6
Natural sciences	34.5
Mathematics, statistics and computing	119.9
Health	92.1
Engineering and engineering trades	153.5
Architecture and construction	56.5
Agriculture, forestry and fishery	39.7
Security services	6.5
Transport services	16.0
Journalism and information	16.8
Personnel services	64.2
Environmental protection	55.7

*Source: CSO*

Upon graduating from a 3- or 4-year non-university higher vocational school (*wyższa szkoła zawodowa*), students obtain a diploma of their vocational qualifications and the title of bachelor (*licencjat*) or engineer, which allows them to enter the employment market or gives them the opportunity to continue their studies in a two-year master's degree course. Upon graduating from a uniform master's degree course, which lasts between 4.5 and

6 years, universities or other higher education establishments issue a higher education graduation diploma. Graduates receive the title of Master, Master of Education, Master of Arts, Master of Engineering, Master of Engineering in Architecture or Doctor, Doctor of Dentistry, Doctor of Veterinary Medicine — depending on the type of course. Graduates with such titles may apply for doctoral studies.

*Table 10. Graduates of higher education establishments (2004/2005)*

Field of Education	No. of graduates (in «000)
Education and teacher training	60.9
Arts	3.2
Humanities	27.8
Life sciences	2.7
Social and behavioral studies	56.7
Business and administration	122.4
Law	8.7
Natural sciences	5.9
Mathematics, statistics and computing	18.4
Health	14.0
Engineering and engineering trades	22.3
Architecture and construction	7.6
Agriculture, forestry and fishery	6.5
Security services	1.9
Transport services	2.0
Journalism and information	3.5
Personnel services	11.6
Environmental protection	10.5

*Source: CSO*

Poland holds second place in Europe in terms of the number of students. Over 1.95 million people in Poland studied at higher and tertiary education facilities in the 2005/2006 academic year. Students account for 54.8% of all inhabitants aged 19-24. Over one-third of students studied at non-state schools. There were almost 950,000 full-time students and almost 1,003,800 took evening classes and part-time courses. 391,500 graduates completed their studies in 2004/2005 at 445 tertiary education establishments.

29.2% of the higher education facilities are currently state-owned. Poland has 18 universities, 22 technical universities, 95 business schools, 9 medical academies and 9 agricultural colleges.

The main centres of tertiary education are Warsaw, Cracow, Poznań, Łódź, Gdańsk, Toruń, Szczecin and Wrocław.

Polish students have a sound knowledge of foreign languages gained at secondary schools. Almost all of them speak communicative English, with 55% achieving at least a good level. 13% have a good knowledge of German, 17% of Polish students speak Russian, 10% — French and 5% — Spanish.

### 9.1.5. Doctoral studies

The Act On Academic Titles and Academic Degrees regulating awarding academic titles and degrees establishes the following academic ranks (in ascending order):

- the academic degree of *doktor* (Ph.D.) of a particular academic subject area within a particular academic discipline;
- the academic degree of *doktor habilitowany* (post-doctoral degree) of a particular academic subject area within a particular academic discipline;
- the title of *professor* (profesor) of a particular academic subject area.

The title of professor is granted by the President of the Republic of Poland upon the resolution of the Central Commission issued in response to a petition by an academic council of sufficient standing to be entitled to award the degree.

## 9.2. Special education

Special education is an integral part of the Polish education system. Most children with special educational needs are taught at special schools or in special classes of general access schools (1.8% of all pupils in compulsory education). Pupils may be integrated into general access schools based on positive recommendations by the agencies responsible for diagnosing the type and level of disability and/or the wishes expressed by the child's parents.

## 9.3. Teachers

Teachers in Poland must have a degree, and the required level of education depends on the level of school in which they wish to teach. For example, in order to teach in primary and lower secondary schools, teachers must hold a bachelor's or master's degree, but in upper secondary and post-secondary schools, they must hold a master's degree. In addition, every teacher must receive teacher training.

## 9.4. Scientific and R&D institutions

The State Committee for Scientific Research (*Komitet Badań Naukowych, KBN*) is the main governmental administration authority for scientific policy. The Committee plans the state's

science policy, sets the direction of scientific research and development and proposes the annual budget for scientific research and development.

Scientific institutions also include tertiary education establishments, R&D institutions, which report to the Chief Council of the Research and Development Institute, Polish international research institutions and the Polish Academy of Sciences.

The Polish Academy of Sciences (*Polska Akademia Nauk, PAN*) is a state scientific institution that coordinates the cooperation of scientists with scientific bodies. The Academy's Committees are self-governed units representing their respective scientific disciplines. Activities in various scientific fields are conducted by specialized institutions, such as e.g. the Institute of Physics, Institute of Genetics and Animal Breeding, Institute of Mathematics and Institute of Rural and Agriculture Development.

Roughly 40 foreign investors have located their R&D centres in Poland. They chose Poland because of the availability of highly qualified labour force, the presence of universities, as well as the support of authorities, both on the central and regional level. These foreign-owned R&D centres employ 4,500 people.

## 10. Human Resources

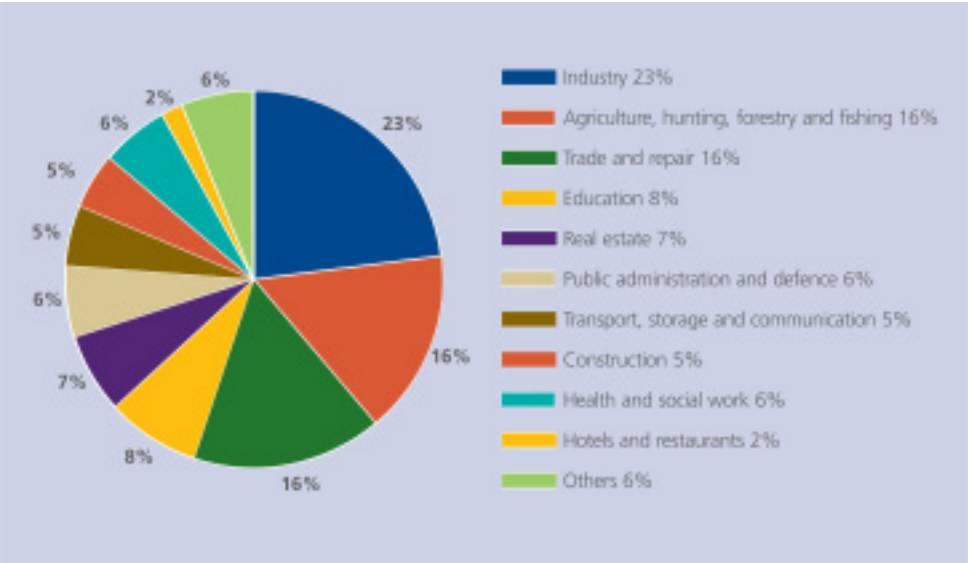
### 10.1. Employment and the Labour Force

Poland's economically active population aged over 15 in the 1<sup>st</sup> quarter 2006 was almost 17 million, which represented 44.3% of the total population. 14.2 million people were employed, of whom 69.8% worked in the private sector.

### 10.2. Unemployment

According to official statistics, at the end of June 2006, 2,487,600 people were registered as unemployed, of whom 55.4% were women. Unemployment was estimated at 16% of the economically active population. The highest rate of unemployment, 24.7%, was registered in the Warmińsko-Mazurskie voivodship, and the lowest rates were: 12.3% in the Małopolskie voivodship and 12.8% in the Mazowieckie voivodship. Almost 42.2% of the unemployed live in rural areas.

Figure 2. Employment by sector, 2005



Source: CSO

10.3. Salaries

The average gross monthly salary for Polish residents in the 1<sup>st</sup> quarter of 2006 was PLN 2,530.18. Sectors with the highest average gross monthly salaries (in PLN) are presented in table below.

Table 11. Sectors paying the highest gross monthly salaries, in PLN

	Financial intermediation	Mining and quarrying	Public administration, defence industry	Gas, electricity and water supply	Education
1Q 2006	4,869.09	4,140.48	3,584.45	3,408.21	2,955.54

Source: CSO



Sectors with the lowest average gross monthly salaries (in PLN) were as follows:

*Table 12. Sectors paying the lowest gross monthly salaries, in PLN*

	Hotels and restaurants	Health and social work	Agriculture, hunting and forestry	Construction	Manufacturing
1Q 2006	1,906.04	2,068.52	2,313.97	2,327.23	2,338.85

Source: CSO

*Table 13. Average gross monthly salaries in Poland*

Year	in PLN	in USD
1996	874.30	324.24
1997	1,061.93	323.68
1998	1,239.49	354.78
1999	1,697.12	427.76
2000	1,923.81	442.62
2001	2,061.85	513.79
2002	2,133.21	522.91
2003	2,201.47	579.33
2004	2,289.57	626.71
2005	2,380.29	651.42

Source: CSO

## 11. General macroeconomic indicators

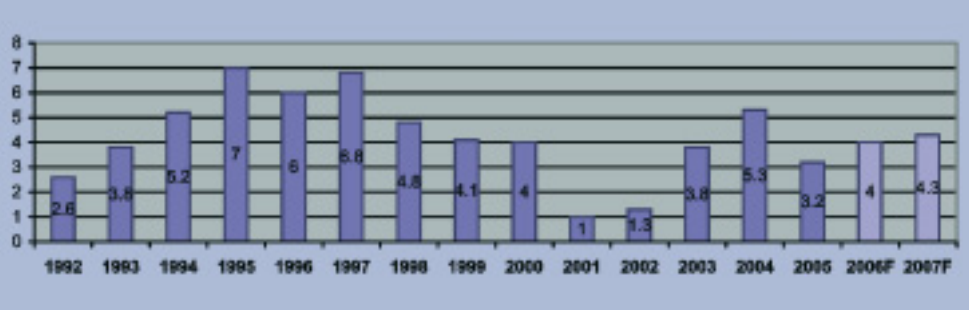
With GDP growth of 3.2% in 2005, Poland's economy is much stronger than the Eurozone (1.3%), and its growth is higher than the average of the 25 EU member states (1.5%). Poland's growth has been driven to a significant extent by exports, industrial production and investments. Employment is also rising, albeit slowly. More detailed information on individual indicators is provided below.

### 11.1. Gross Domestic Product

The Polish economy expanded rapidly in the mid- to late-1990s. After a slowdown, due mainly to global economic conditions, Poland has almost regained the pace of growth from the second half of the 1990s. In 2005, GDP increased by 3.29%. Economists forecast that GDP should grow by 4.9 - 5.5% in 2006.

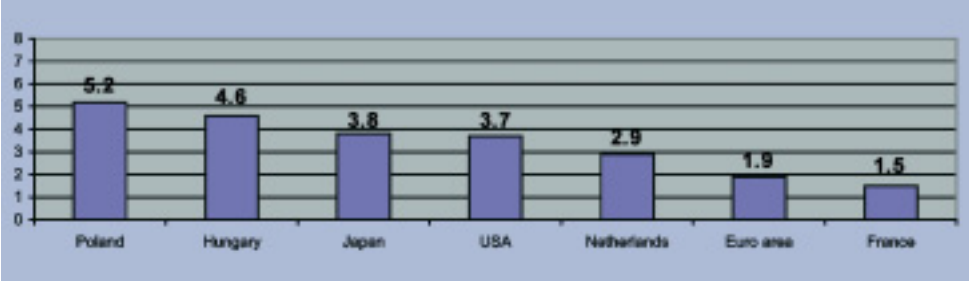
Poland's GDP at current market prices was estimated at USD 299.2 billion in 2005 (or USD 7,832 per capita).

Figure 3. GDP growth in 1992 - 2007 (%)



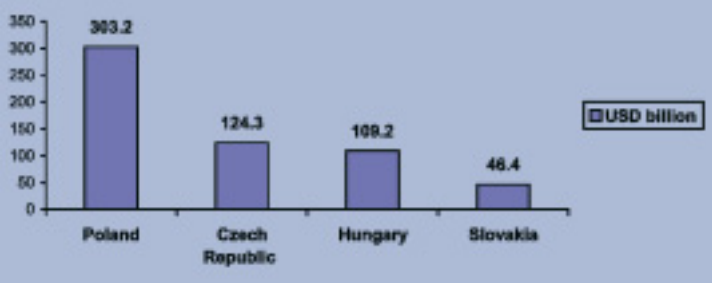
Source: CSO, F- forecast by Economist Intelligence Unit

Figure 4. GDP growth in 1Q 2006



Source: the Economist, July 2006

Figure 5. GDP in 2005



Source: EIU 2006

## 11.2. Consumer Price Index

Average annual inflation in 2005 was 2.1% (3.5% in 2004).

Table 14. Consumer Price Index (%)

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005
CPI average	14.9	11.8	7.3	10.1	5.5	1.9	0.8	3.5	2.1
CPI year-end	13.2	8.6	9.8	8.5	3.6	0.8	1.7	4.4	0.7

Source: CSO

Figure 6. Average annual inflation in 1997-2005



Source: CSO

## 11.3. Foreign trade

Polish imports reached a level of USD 101.5 billion in 2005, while exports amounted to USD 89.4 billion. Compared with 2004, exports denominated in USD increased by 21.1%, while imports increased by 15.5%. Since 2000, exports have been rising at a faster rate than imports because of the improving competitiveness of Polish goods and the limited increase in domestic consumption.

Poland trades primarily with developed countries, to which 83.6% of all exported goods are directed. In 2005, trade with the EU accounted for 77.2% of all Polish exports and 65.6% of

Polish imports. Germany is Poland’s largest trading partner accounting for 29.1% of all Polish exports and 24.8% of all imports.

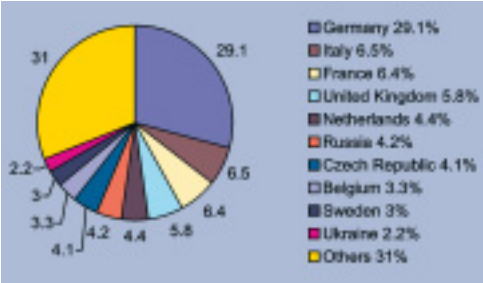
Goods sold to Poland’s 10 largest trading partners accounted for 69.04% of the Polish exports.

Table 15. Structure of Polish exports in 2005

Market	PLN (million)	USD (million)	EUR (million)	%
Developed countries	241,399.5	74,753.1	59,700.7	83.6
of which: the EU	222,964.0	69,035.4	55,149.1	77.2
Central&Eastern Europe	28,907.0	8,921.4	7,152.1	10.0
Developing countries	18,375.8	5,672.4	4,541.0	6.4
Total exports	288,682.3	89,346.9	71,393.8	100.0

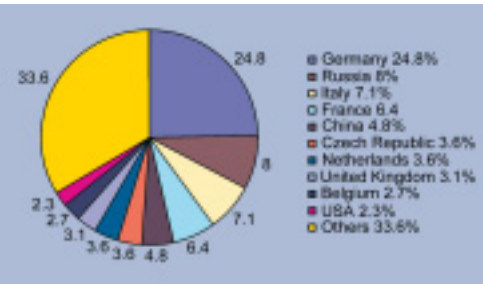
Source: CSO

Figure 7. Poland’s main export partners in 2005



Source: CSO

Figure 8. Poland’s main import partners in 2005 (%)



Source: CSO

Table 16. Exchange rates of the Polish zloty (PLN)

Currency	1999	2000	2001	2002	2003	2004	2005
USD 1	3.9675	4.3464	4.0939	4.0795	3.8889	3.6540	3.2348
EUR 1	4.2270	4.0110	3.6685	3.8557	4.3978	4.5340	4.0254

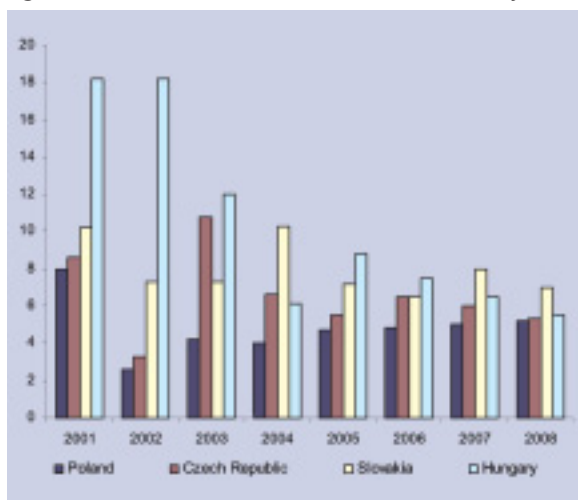
Source: National Bank of Poland

## 11.4. Local cost effectiveness

According to a survey commissioned by the Polish Information and Foreign Investment Agency (PAIilZ) in 2005, two main reasons for entering Poland cited most commonly by investors are costs and the opportunities of reducing them (87.5% and 87.8% of responses, respectively). The costs of conducting business in Poland are significantly lower than in Western Europe. The time required to establish a business activity is significantly shorter than in other countries in the region: according to the World Bank's data from 2005, it is 31 days in Poland, 38 in Hungary and 40 in the Czech Republic.

The graph below illustrates the average nominal growth in salaries in Poland, Slovakia, the Czech Republic and Hungary between 2000 and 2005. It also forecasts how the situation should develop over the coming three years.

Figure 9. Salaries in Poland increased more slowly than in other CEE countries



Source: EIU

### 11.4.1. Labour costs

Since 2001, salaries in Poland have been increasing very slowly because of high unemployment. As a result, the salary level in the Czech Republic and Hungary is now higher than in Poland. The average monthly salary in Poland in the manufacturing sector in May 2006 was EUR 654. According to Cushman & Wakefield Healey & Baker Cities Monitor, Warsaw is the best capital city in Europe in terms of staff costs.

Table 17. Best cities in terms of staff costs

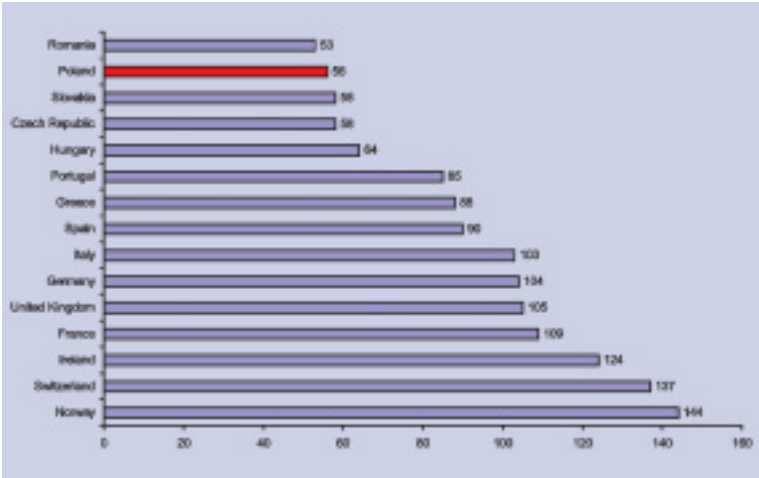
	Score*
1. Warsaw	1.68
2. Budapest	1.38
3. Prague	1.36
4. Lisbon	1.16

*\*The score is derived from the number of nominations for best, second best and third best*  
*Source: European Cities Monitor 2005, Cushman & Wakefield Healey & Baker*

### 11.4.2. Cost of living

Prices in Poland are at a level of 56% of the EU average.

Figure 10. Comparative price levels of household consumption including indirect taxes (EU-25 = 100)



Source: Eurostat, 2006

### 11.4.3. Real estate

Renting office space in large cities, such as Warsaw, Cracow, Wrocław and Poznań, costs between EUR 10 and EUR 30 per sq. m per month. The average cost of purchasing an apartment in 1Q 2006 was EUR 668 per sq. m. The average price per square metre of land is usually EUR 4 - 50, depending on location and quality of the plot. In large cities such as Warsaw, it can be considerably higher. The average price of arable land in 4Q 2005 was EUR 2.130 per hectare.

*Figure 11. Best cities in terms of value for money of office space*

City	2005	2004
Lisbon	1	3
Warsaw	2	1
Prague	3	2
Glasgow	4	5
Budapest	5	7
Barcelona	6	4
Athens	7	16
Berlin	7	9
Manchester	7	8
Dublin	10	5

*Source: Survey conducted by Cushman & Wakefield Healey & Baker on Europe's major business cities, conducted among senior executives from 501 leading European companies.*

### 11.4.4. Energy

The average price of electricity for industry is less than EUR 0.06 per kWh in Poland. The table below shows a comparison of prices between selected EU countries.

*Table 18. Energy prices (including VAT) in euro/GJ for gas and euro/kWh for electricity, March 2006*

	Poland	Czech Republic	Ireland	Portugal	Hungary
<b>Households</b>					
Electricity	0.0999	0.0864	0.1535	0.1446	0.1189
Gas	8.8	9.6	13.0	19.4	7.4
<b>Industry</b>					
Electricity	0.0597	0.0662	0.0800	0.0799	0.0765
Gas	4.8	6.6	9.3	6.8	7.3

*Source: Energy Market Agency*

## 12. Poland on the International Arena

### 12.1. Poland in the European Union

Poland's geopolitical position induces it to actively participate in international political organizations. Poland has been a member of the Council of Europe, the Central European Initiative, the Visegrad Group and the North Atlantic Cooperation Council since 1991. In 1993, it was admitted as an associate member into the European Union. In 1998, Poland presided over the Organization for Security and Cooperation in Europe (OSCE), and in 1999, it became a member of NATO.

The rapid development of the country's economy was confirmed by Poland's accession into the World Trade Organization (WTO) in 1995 and into the Organization for Economic Cooperation and Development (OECD) in 1996. In 1992, Poland became a founding member of the Central European Free Trade Agreement (CEFTA).

On 19<sup>th</sup> September 1989, Poland signed the trade and economic cooperation agreement with the European Community. The Association Agreement was signed on 16 December 1994. Ten years after submission of its application for membership and six years after commencing negotiations, Poland joined the EU on 1<sup>st</sup> May 2004.

#### 12.1.1. Poland's position in the European Union

The Treaty of Accession was signed in Athens on 16<sup>th</sup> April 2003. The accession referendum took place in Poland on 7<sup>th</sup> and 8<sup>th</sup> June 2003. 77.45% of Poles voted in favour of EU membership, with a turnout of 58.85%.

1<sup>st</sup> May 2004 witnessed the enlargement of the European Union from 15 to 25 member countries, with the 10 new member states adding 75 million more citizens to the 378 million citizens of the EU. Today, the European Union has 25 member states: Austria, Belgium, the Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and the UK.

The enlargement is one of the most important opportunities for the European Union. With the exception of Malta and Cyprus, the new member states are former communist states that have barely a decade of experience of being market economies and experiencing capitalist freedoms. This not only represents a significant moment in the history of the EU, but also in the history of Poland.



### 12.1.2. Membership criteria

Poland prepared itself methodically to meet the political, economic and legal criteria of membership of the EU. It has been adopting and implementing the body of EU legislation, which comprises more than 20,000 separate treaties, regulations and directives passed by the European institutions, as well as judgements passed by the European Court of Justice.

In terms of economic criteria, comprehensive reforms have been undertaken by the Polish authorities to transform the economy. The legal criteria apply to the implementation and enforcement of Community law (*Acquis Communautaire*). Poland has achieved a high level of alignment with the *Acquis*. There are many areas of taxation that fall within the scope of this legislation, even though the new states still have control over direct taxation and the definition of tax rates. Many challenges and opportunities are now available to investors in the new member states.

Because of the harmonization of the Polish law with the EU standards and increasingly extensive integration with the European economy, Poland has become an even more attractive target for foreign investors.

### 12.1.3. Intra-Community trade

The EU is Poland's most important trading partner. Trade within the Community accounts for approximately 70% of Polish exports and imports. The volume of trade between Poland and the other EU member states exceeded EUR 108 billion in 2005. That same year, the European Union member states accounted for 77.2% of Polish exports and 65.6% of imports. Seven out of Poland's ten largest trading partners are from the European Union. In 2005, Germany ranked first among these, with a 29.1% share of exports and 24.8% of imports.

### 12.1.4. Financial assistance

As a European Union member state, Poland will need to contribute to the general EU budget but simultaneously, it will receive back transfers, notably those under the Common Agricultural Policy and the structural policy.

Poland will pay its contribution to the general EU budget at the full amount, i.e. EUR 6 billion in 2004 - 2006. The first monthly payment was made from the Polish budget to the EU on 4<sup>th</sup> May 2004. In addition, Poland will need to contribute to separate specific budgets within the EU. All of these amounts will reduce the amount of public sector demand financed from the Polish central budget.

At the same time, Poland is waiting for financial flows from the European Union. The general EU budget envisages that the commitments to Poland could reach EUR 19.3 billion in 2004 - 2006, while payments could amount to EUR 13.5 billion.

Poland became eligible for structural funds as of 1<sup>st</sup> May 2004. The primary objective of these funds is to provide assistance in reducing the development disparities between regions in order to strengthen economic and social cohesion. The Treaty of Accession set the commitments open to Poland under the structural policy at EUR 11.4 billion (including EUR 7.6 billion under the structural funds and EUR 3.7 billion under the Cohesion Fund). Payments of these commitments will be made up to 2009 (2010 in the case of the Cohesion Fund).

Poland was granted an additional EUR 280 million for 2004 - 2006 to adjust to the Schengen standards of external border control (eastern border and international airports).

During the period 2004 - 2006, the whole of the territory of Poland is set to benefit under Objective 1 of the Structural Fund through seven development programs. The overall aim is to promote a knowledge-based economy fuelled by an entrepreneurial spirit in order to favour rapid and sustainable economic growth as a means of overcoming the major challenge of unemployment and ensuring better social cohesion.

Investments will be concentrated in four priority areas: growth and employment in the private sector; human resources; infrastructures linked to economic growth and quality of life and improvements to regional development conditions, including rural development.

The programs under which this strategy will be implemented are the following:

### **Business Competitiveness**

The knowledge-based economy and the industrial environment constitute the first priority area, which is aimed at giving Polish industry access to information, R&D and technological innovation, improving and rehabilitating sites where companies can establish operations and improving access to capital for SMEs. As a second priority, direct aid to companies in the private sector (meaning especially new activities and SMEs) must make companies more competitive on the international market, while creating major employment opportunities.

### **Human Resources**

First, the overall level of employment must be increased through an active labour market and social inclusion policy: prevention of unemployment and the occupational integration of young people, the long-term unemployed, disadvantaged groups and women. The modernization of public employment agencies will be a key element in this priority. The second

priority is to develop a knowledge-based society by improving access to a better standard of education and placing emphasis on equal opportunities and the needs of companies in the face of market fluctuations. Continuous training, distance learning, cooperation between universities and companies, increased administrative capacities, etc. will be encouraged.

## **Transport**

The balanced development of various modes of transport will make it possible to encourage competitive alternatives to road transport and improve environmental protection. One aspect will be to respond to the urgent need to modernize the rail network, while seaports will benefit from measures to promote multimodal transport.

The second priority is to improve road transport safety — quality motorways, city ring roads and traffic management — and to make it more efficient by means of shorter journeys and a more comprehensive network. The Transport Program is designed to complement the Cohesion Fund projects.

## **Food Sector and Rural Development**

The initial priority applies to changes in primary agricultural production and processing activities: investments in viable farms, help for young farmers in setting up, adaptation of the agro-foodstuff sector to European standards, training, agricultural advisory services, etc. The second priority is the sustainable development of rural areas through measures related to agricultural re-parcelling, the management of agricultural water, the diversification of economic activities, rural renovation, collective equipment, cultural and natural heritage, etc. Aid will also be allocated to local initiative projects inspired by LEADER+ and to the restoration of forestry damaged by natural disasters.

## **Fisheries**

Four priorities are set here: adjustment of the fishing effort to take account of fish stocks; fleet renovation and modernization; protection of aquatic resources, development of an aqua-culture, improvements to port installations, processing and marketing activities and product quality; and aid for small-scale coastal fishing, unemployed fishermen and producer groups, etc.

## **Integrated Regional Program**

The task is to create conditions for sustainable regional competitiveness in each of Poland's 16 voivodships by pursuing three priorities: the development and modernization of infrastructure contributing to regional competitiveness (technical infrastructure, entrepre-

neurship development centre, regional transport, environment, social infrastructures in the area of health, higher education and tourism); the improvement of human resources to meet the specific needs of the regional labour market, through study grants and aid to farmers leaving agriculture, workers affected by restructuring, entrepreneurs, etc.; and local development in the most marginalized areas (including urban areas in crisis), by supporting various local infrastructures, micro businesses, the construction or modernization of educational establishments, tourism and cultural projects, etc.

## **The Cohesion Fund**

Apart from the structural funds, Poland receives additional aid from the Cohesion Fund for infrastructure projects in the area of the environment (drinking water, sewage, water resources and solid waste) and transport (roads, railways, airports and waterways).

## **12.2. Poland in the Single Market**

Upon accession to the European Union, Poland has become part of the Single European Market, with the free movement of goods, services, people and capital.

### **12.2.1. Freedom of movement of people**

The following persons have the right to enter and leave the territory of the member states simply by producing an identity card or passport, without the need for an entry visa or equivalent:

- nationals of a member state who are established or who wish to establish themselves in another member state in order to pursue activities as self-employed persons, or who wish to provide services in that state;
- nationals of member states wishing to go to another member state as recipients of services;
- the spouse and children under 21 years of age of such nationals, irrespective of their nationality;
- the ascendant and descendant relatives of such nationals and of the spouse of such nationals, if the relatives are dependent on these nationals, irrespective of their nationality.

With respect to the principle of the free movement of persons, the *Acquis Communautaire* covers four areas:

1. Mutual recognition of professional qualifications — the European Community intends to eliminate obstacles to the performance of regulated professions, accepting the principle that a person fully qualified to practice a regulated profession in one member state should be entitled to do so anywhere within the European Community.

2. Citizens' rights — including voting rights (i.e. rights of all European Union citizens to participate actively in the political life of the European Union through European and municipal elections) and the right of residence (originally foreseen only for workers, but subsequently extended to cover non-active persons).
3. Free movement of workers — within the scope of which the member states are obliged to ensure that all their legal provisions, in particular those related to criteria on citizenship, residence or linguistic ability, are in full conformity with the *Acquis Communautaire*.
4. Coordination of social security schemes — governed by regulations and therefore directly applicable to the member states. The principles of such coordination consist of ensuring that those who exercise their right to the freedom of movement throughout the European Community should not be penalized as a result in terms of protection of their social security.

Freedom of movement for workers, which is a fundamental aspect of the freedom of movement for persons and of the internal market, allows the nationals of any member state to work in another member state under the same conditions as nationals of that state. However, following the enlargement of the European Union on 1<sup>st</sup> May 2004, the freedom of movement of workers from, to and between the new member states has been somewhat restricted. The important components of the transition arrangements related to the free movement of workers from Poland into the old member states are based on the 2+3+2 scheme, i.e.:

- During an initial two-year period, the EU-15 member states must apply their national law or any bilateral agreements concluded with the new member states under the Community law. This means that, in most cases, workers from the new member states still need a work permit in order to gain access to the EU-15 labour market.
- New member states may impose reciprocal restrictions on workers from the EU-15 member states that have adopted such measures.
- In 2006, the Commission will draw up a report that the Council will use to examine the functioning of the transitional provisions. Moreover, each of the EU-15 member states will need to give the Commission formal notice of its intention either to apply the Community law in full, together with its principle of the freedom of movement for workers, or to maintain the restrictive measures for a maximum of three more years.
- In 2009, the EU-15 member states will only be able to extend the restrictive measures for a period of two years, if they observe a major disruption on their labour markets, or a threat of such disruption.
- The end of the seven-year transitional period will bring about the complete freedom of movement for workers who are Community nationals in the enlarged European Union.

## 12.2.2. Freedom of movement of capital

Freedom of movement of capital constitutes one of the foundations of the common market. Article 56 of the EC Treaty prohibits any restrictions on the movement of capital

between member states. This article is directly applicable and all the member states enjoy full freedom of capital movements and payments.

The freedom of movement of capital includes payments and transfers of money across borders, as well as other transactions allowing the transfer of ownership of assets and liabilities (such as investments in companies and real estate or portfolio investments). In particular, it allows for the free transfer of profits from one country to another and the right to invest and purchase tangible and financial assets abroad without restriction.

Poland was granted two transition periods for maintaining its national legislation with respect to real estate acquisitions:

- a five-year transition period for the acquisition of "second houses" by foreigners;
- a twelve-year period for the purchase of agricultural land and forests.

### **12.2.3. Freedom of movement of goods**

Articles 28 to 30 of the EC Treaty establish the principle of the free movement of goods. The member states may not maintain or impose barriers to trade in areas that have not been the subject of Community harmonization, except in special circumstances. The goods that may be legally sold on the market of one member state may be also sold in all other member states. Therefore, the authorities of the destination member states will acknowledge the standards to which the product conforms in the member state of origin: this is referred to as the principle of mutual recognition.

Measures were adopted that provide for and govern such aspects as basic technical standards, product certification and metrological definitions in order to ensure the free movement of goods within the European Union. Since there are goods for which common harmonized standards have been introduced on the basis of directives, rules, etc., and goods for which there are no harmonized standards, the *Acquis Communautaire* is usually divided into harmonized and non-harmonized areas with respect to the free movement of goods.

In accordance with the so-called 'golden rule' of European legislation, the principle of the free movement of goods applies in the event that there is no specific harmonization regulation in a given area. The new approach to the European product law is based on the principle of self-certification and the presumption of conformity to harmonized standards.

The old approach directives still apply to certain product groups (e.g. pharmaceuticals, foodstuffs and motor vehicles).

The European Union has accepted two transitional arrangements for Poland:

- for the renewal of marketing authorization for pharmaceuticals up to 31<sup>st</sup> December 2008;
- for the validity of licenses for medical devices issued under Polish legislation up to 31<sup>st</sup> December 2005.

Goods crossing the Community's internal borders have not been subject to controls since 1<sup>st</sup> January 1993. The free movement of goods within the Community presupposes:

- the prohibition of setting customs duties and charges with equivalent effects between member states;
- the adoption of a common customs tariff for trade between member states and third countries;
- the prohibition of any quantitative restrictions or measures having an equivalent effect;
- the prohibition of discrimination by state monopolies.

These general arrangements apply to all products but are covered by special rules for certain products the movement, control or marketing of which is (for various reasons) subject to specific procedures.

Most of the special rules are for agricultural products (animals, meat, plants and seeds, etc.), where there is still a need to protect animal, plant and human health. In general, agricultural products are still subject to the common organizations of the market, which were reformed in 1992 so as to eliminate all arrangements based on border controls (for milk, cereals and refined sugar, etc.).

The abolition of controls at internal borders presupposes that the external borders are administered consistently and in the "Community spirit". Officials responsible for conducting the controls are required to act on behalf of all national authorities and in the interest of all firms and consumers in the Community. In 1994, the Community Customs Code established a common legal framework for customs controls, supplemented by special measures in the fields of veterinary medicine and plant health, cultural goods, pharmaceuticals and psychotropic drugs, international trade in protected species and the battle against counterfeiting.

#### **12.2.4. Freedom of movement of services**

According to the provisions of the European Agreement on the movement of services between the Community and Poland, all parties will gradually introduce legal solutions allowing economic agents from Poland or the Community to provide services without the need to establish companies in the recipient country.

Poland will retain the right to protect its interests in the area of purchasing national assets that are subject to privatization up to the end of the transition period (2004). The most important areas to be protected are:

- ownership, usage, sale and lease of real estate;
- transactional operations and agency services in real estate trading, as well as in the trading of natural resources and related activities;
- legal services.

The advantages and disadvantages of Poland's accession into the EU with respect to market services (transport, tourism, banking, distribution services, communications and others), include the following aspects:

- Poland's inclusion among the EU member states will favourably affect the competitiveness of Polish service providers.
- Sectors of the Polish economy which are currently protected against free competition (telecommunications, banking and insurance services and air transportation) will need to open up to international competition. Domestic companies which are financially weak may be edged out of the market by foreign competitors.
- Access by Polish service companies to the EU service market (e.g. export of construction services, which has been limited) will create the opportunity to leverage the relative cost efficiencies of Polish firms (related to lower labour costs) even in the fields of professional services.

Every member state will grant the right of permanent residence to nationals of other member states who establish themselves within their territory in order to pursue activities as self-employed persons when the restrictions on these activities have been abolished.

A "residence permit for a national of a member state of the European Communities" is issued for this purpose.

### **12.3. Poland and the Monetary Union**

Poland is not a member of the Economic and Monetary Union (EMU). However, the accession to the European Union paves the way for Poland to start preparations for accession to the Eurozone, which is the next stage of economic integration. The exact moment for the adoption of the euro has not yet been set.

Membership of the EMU is conditional upon the fulfilment of the Maastricht criteria of economic convergence and after at least two years of participation in the Exchange Rate Mechanism. The Maastricht criteria include fiscal criteria, which apply to the general government deficit and public debt, as well as monetary criteria, which refer to price stability, the level of long-term interest rates and exchange rate stability.



The Maastricht convergence criteria are not only a formal requirement for Poland's participation in the Eurozone, but also the basis for a sound macroeconomic stance, creating conditions that are conducive to long-term economic growth. Thus, meeting the criteria both opens the way to the euro and is beneficial to growth.

Poland satisfied the inflation, long-term interest rate and public debt criteria in November 2003. The fulfilment of the general government deficit criterion requires the implementation of comprehensive reforms reducing public spending and increasing the efficiency of management of public finance. The exchange rate criterion can only be fulfilled after Poland has entered ERM II. Meeting this criterion will depend on the implementation of a credible macroeconomic policy.

The decision on the acceptance of Poland as a member of the common currency area will be made by the ECOFIN Council and will be based on the conclusions of Convergence Reports prepared by the European Commission and the European Central Bank (ECB). These reports will contain an assessment of the level to which the Polish economy is ready for membership of the monetary union.

Participation in the EMU could have the following implications for Poland:

- a reduction in the costs of economic exchange as a result of the use of the euro in all transactions;
- a reduction in the costs of the internal financial management of enterprises;
- a reduction in foreign exchange exposure, as well as the costs of conducting business activities and a reduction in the related reserve levels;
- a reduction in the levels of interest rates;
- strengthening of macroeconomic stability, as a result of keeping stricter discipline with new monetary institutions;
- an increase in stability, which will be related to the improvement in production conditions.

Following accession to the Economic and Monetary Union, Polish manufacturers, investors, exporters and importers will avoid the costs of hedging against exchange rate fluctuations, as they will no longer be exposed to foreign exchange risk. Small and medium-sized enterprises will gain cheaper access to sources of information on conditions prevailing on the market and the possibilities of development.

Citizens will receive their income in euro, which will enable them to make their payments in Poland and abroad without the cost of currency conversion.

## **12.4. Other international organizations**

### **12.4.1. Poland in the EU – OECD**

The Organization for Economic Cooperation and Development was established by the Paris Agreement on 14<sup>th</sup> December 1960. The OECD groups 30 member states and maintains active relations with 70 other countries in order to develop democracy and the market economy.

The OECD is primarily a coordinating and opinion-forming organization which provides a forum for the exchange of information and experience, as well as a centre for research into the economies of the member countries. It is also a primary forum for the discussion of economic and social issues and is frequently consulted by the UN, the WTO and G-7.

Poland signed a draft agreement with OECD in June 1991 and officially became a member of the Organization on 22<sup>nd</sup> November 1996.

Membership of the OECD makes it easier for Poland to gain access to preferential credit facilities granted by international financial institutions. Poland also has unrestricted access to information in the Organization's numerous databases, including publications and statistics. The OECD online database provides large volumes of information, together with economic analyses on each member country, which are available to the public.

Poland can also benefit from the joint programs created by the OECD in cooperation with such organizations as Sigma, which offer support in improving governance and management in Central and Eastern European countries, financed by the European Union. In addition, as a member of OECD, Poland takes part in the Environmental Action Program for Central and Eastern Europe (EAP).

### **12.4.2. WTO**

The World Trade Organization was established on 1<sup>st</sup> January 1995. It is an international organization associating 147 countries. The main aim of the WTO is to serve as a guardian of treaties and trade agreements, monitoring national trade policies and settling disputes among members. The WTO also offers aid to developing countries.

The success of the WTO is reflected in the security of trade and high quality of products in the member states. Customers are offered a wide range of quality products, which are tested by international centres, and exporters have the assurance that the markets of the member countries will remain open to them.

By reducing tariffs, the WTO has eliminated many barriers between countries and people.

The rules of the WTO (contained in agreements and contracts) are the result of negotiations among the WTO members. The core document is the General Agreement on Tariffs and Trade (GATT). GATT consists of 60 agreements which were signed individually in specific areas by each member state.

### **12.4.3. NATO**

The North Atlantic Treaty Organization (NATO), a political and military organization, emerged as a result of the signature of the Treaty of Washington on 4<sup>th</sup> April 1949. The signatory countries were: USA, Canada, Belgium, Denmark, France, Holland, Iceland, Luxemburg, Norway, Portugal, Great Britain and Italy. The Treaty of Washington brought a common security system into being, which was based on partnership between the 12 signatory countries. NATO currently consists of 26 countries.

The North Atlantic Alliance was founded under a Treaty between the member states, which was entered into freely by each of them after a public debate and the due parliamentary process. The Treaty upholds their individual rights, as well as their international obligations, in accordance with the Charter of the United Nations. It obligates each member state to share the risks and responsibilities, as well as the benefits, of collective security and requires that each of them undertakes not to enter into any other international commitment that might conflict with the Treaty.

More than half a century has elapsed since the Alliance was established. For much of this time, NATO's central focus to provide for the immediate defence and security of its member states. The Czech Republic, Hungary and Poland are the first countries representing the "old" Warsaw Pact, which joined NATO on 12<sup>th</sup> March 1999. Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia followed in 2004.

## V. Sources of Information

### 1. Polish Information and Foreign Investment Agency (PAIIZ)

Foreign investors considering investing in Poland may take advantage of the assistance of the Polish Information and Foreign Investment Agency ("PAIIZ").

PAIIZ, a specialized investment agency, was established in 2003, as a result of a merger of the Polish Agency for Foreign Investment and the Polish Information Agency. PAIIZ's activities include: increasing the inflow of foreign direct investments to Poland, incentivising foreign businesses to invest in Poland, advisory services at each stage of the investment process, assistance in the interpretation of legal procedures and regulations, the provision of full access to the economic and legal investment environment, as well as assistance in the selection of attractive investment locations.

PAIIZ offers investors the services of its best specialists in investor support, regional cooperation and economic promotion.

The Investor Services Department provides direct assistance to businesses interested in investing in Poland. Project managers assist investors at each stage of the investment planning and execution process. The professional assistance enables effective and fast implementation of business strategies.

The range of the Agency's services includes:

- the search for appropriate locations to meet the criteria specified by investors;
- the provision of the required statistical, economic and legal data for preparing feasibility studies and making final investment decisions;
- the organization of visits in Poland (assisting visitors);
- the preparation of individual investment packages in cooperation with the European Commission;
- post-investment assistance (trouble-shooting at further stages of business activity in Poland).

PAIIZ operates in accordance with the "third generation agency" regulations, according to the operational strategy adopted in 2003. The main aim of the model is to reach investors at the sectoral level in order to obtain more information on various sectoral investment needs and to meet their specific requirements. A detailed analysis of investment strategies of

leading businesses in a given branch enables the design of investment proposals with the purpose of satisfying investor needs.

The sectoral strategy adopted by the Agency has enabled the selection of strategic sectors considered most important in the development of Polish economy. Investors representing such sectors are a priority to PAIIZ.

Strategic sectors have been selected using the following criteria:

1. increasing value added created by a given sector and comprising:
  - the introduction of advanced technologies;
  - manufacturing of modern and competitive products;
  - the introduction of advanced services;
  - the development of modern infrastructure;
2. job creation;
3. involvement of local suppliers;
4. increasing Poland's export potential.

Using the above preferences, the following sections were distinguished within the Investor Services Department: Automotive, Manufacturing, Shared Services Centres/BPO, IT and Electronics, Food Processing. PAIIZ has also formed a Far East section. The Agency's legal section supports the Department and takes part in investment projects.

The Business Intelligence Department is responsible for developing and running the economic information system at the Agency. The Department is also responsible for preparing economic and sectoral analyses for internal use and according to the needs of investors. Databases of foreign companies, as well as of Polish suppliers, are also prepared by the Department's team.

The main tasks of the Regional Cooperation Department include the coordination of cooperation between foreign investors and the authorities of the region in which the investment is planned and support to local authorities in the professional preparation of investment proposals.

The goal of the Regional Cooperation Department is also to build a nationwide network of Investor Assistance Centres (*Centrum Obsługi Inwestorów, COI*) — partners of PAIIZ supporting the investment process on a regional level. The network of COIs is being built in cooperation with the authorities of the individual regions. The centres operate as "one-stop shops". COIs offer investors comprehensive services at voivodship level, including post-investment assistance. They provide continuously updated investment proposal packages, as well as macroeconomic and legal information and liaison between investors and local authorities.

The Regional Investor Assistance Centres have gradually been taking over the comprehensive support of smaller investment projects from PAIIZ, guiding investors through the respective procedures and offering them advice.

The Economic Promotion Department propagates abroad the benefits of investing in Poland. The Department's employees present the advantages of investing in Poland at fairs and exhibitions, participate in international conferences and seminars and organize investment missions to strategic countries in order to attract foreign direct investments to Poland.

Foreign businesses interested in investing in Poland are offered an extensive range of comprehensive information on Poland, its investment climate, economic and legal environment and the procedures required to complete the investment. PAIIZ offers access to an investment locations database. This information is available through: [www.paiz.gov.pl](http://www.paiz.gov.pl), in books and multimedia publications, such as "How To Do Business — Investors' Guide. Poland", "Why Poland", "Poland in Brief", "Poland - what makes it a Business Hot Spot?"

The Economic Promotion Department also organizes investment conferences and seminars in Poland, visits for foreign journalists dealing with economic issues and, in cooperation with the Polish media, provides information to the media on the achievements of foreign investors in Poland, thereby positively stimulating social acceptance of foreign investments.

### **Polish Information and Foreign Investment Agency (PAIIZ)**

*(Polska Agencja Informacji i Inwestycji Zagranicznych S.A.)*

ul. Bagatela 12  
00-585 Warsaw  
Tel.: (+48 22) 334 98 00  
Fax: (+48 22) 334 99 99  
[www.paiz.gov.pl](http://www.paiz.gov.pl)  
e-mail: [post@paiz.gov.pl](mailto:post@paiz.gov.pl)

## **2. Regional Investor Assistance Centres – PAiIZ's partners:**

**Dolnośląskie Voivodship**  
**Wrocław Regional Development Agency**  
**Regional Investor Assistance Centre**  
50-001 Wrocław  
Rynek 13  
Contact person:  
Ewa Kaucz  
Mobile: (+48) 605232033  
E-mail: [ekc@warr.pl](mailto:ekc@warr.pl)  
Phone: (+ 48 71) 79 80 978 int.103  
Fax: (+ 48 71) 79 80 978 int. 107  
<http://www.warr.pl>

**Kujawsko-Pomorskie Voivodship**  
**Regional Investor Assistance Centre**  
**(within the Marshal's Office)**  
87-100 Toruń  
Plac Teatralny 2  
Contact person:  
Cezar Buczyński  
E-mail: [c.buczynski@kujawsko-pomorskie.pl](mailto:c.buczynski@kujawsko-pomorskie.pl)  
Phone: (+ 48 56) 621 84 87  
Fax: (+ 48 56) 621 83 02  
<http://www.kujawsko-pomorskie.pl/coi/>

**Lubelskie Voivodship**  
**Regional Investor Assistance Centre**  
**(within the Marshal's Office)**  
20-074 Lublin  
Spokojna 4  
Contact person:  
Paweł Banach  
E-mail: [coi@lubelskie.pl](mailto:coi@lubelskie.pl)  
Phone: (+ 48 81) 44 16 784  
Fax: (+48 81) 534 76 54  
<http://www.coi.lubelskie.pl>

**Lubuskie Voivodship**

**Regional Investor Assistance Centre**

**(within the Regional Development Agency in Zielona Góra)**

65-001 Zielona Góra

Chopina 14

Contact person:

Zenon Bambrowicz — President of the Agency

E-mail: [agencja@region.zgora.pl](mailto:agencja@region.zgora.pl)

Phone: (+48 68) 325 38 88

Fax: (+48 68) 325 38 88

<http://www.coi-lubuskie.pl/>

**Łódzkie Voivodship**

**Regional Investor Assistance Centre**

**(within the Marshal's Office)**

90-051 Łódź

Piłsudskiego 8

Contact person:

Wojciech Kuzbik

E-mail: [wojciech.kuzbik@lodzkie.pl](mailto:wojciech.kuzbik@lodzkie.pl)

Phone: (+48 42) 663 36 00 or 663 35 76

Fax (+48 42) 663 36 02

**Małopolskie Voivodship**

**Regional Investor Assistance Centre**

**(within the Małopolskie Regional Development Agency)**

31-542 Kraków

Kordylewskiego 11

Contact person:

Justyna Turaj

E-mail: [justyna.turaj@marr.pl](mailto:justyna.turaj@marr.pl)

Phone: (+48 12) 413 85 51, 413 89 13 w.450

Fax: (+48 12) 412 43 79

<http://www.marr.pl>

**Mazowieckie Voivodship**

**Regional Investor Assistance Centre**

**(within the Marshal's Office)**

03-718 Warsaw

Ks. I. Kłopotowskiego 5



Contact person:

Joanna Jędrzejewska-Debortoli

E-mail: [j.jedrzejewska@mazovia.pl](mailto:j.jedrzejewska@mazovia.pl)

Phone: (+48 22) 597 97 65

Fax: (+48 22) 597 97 52

<http://www.mazovia.pl>

## **Opolskie Voivodship**

### **Regional Investor Assistance Centre**

**(within the Marshal's Office)**

45-018 Opole

Plac Wolności 5

Contact person:

Magdalena Karońska

E-mail: [m.karonska@opolskie.pl](mailto:m.karonska@opolskie.pl)

E-mail: [coi@opolskie.pl](mailto:coi@opolskie.pl)

Phone/Fax: (+48 77) 454 02 47 or 454 02 48

<http://www.aro.pl>

## **Podkarpackie Voivodship**

### **Regional Investor Assistance Centre**

**(within the Rzeszów Regional Development Agency)**

35-064 Rzeszów

Rynek 5

Contact person:

Monika Szymańska

E-mail: [mszymanska@rarr.rzeszow.pl](mailto:mszymanska@rarr.rzeszow.pl)

Phone/Fax: (+48 17) 852 43 76 or 852 43 74

E-mail: [coi@rarr.rzeszow.pl](mailto:coi@rarr.rzeszow.pl)

<http://www.coi.rzeszow.pl>

## **Podlaskie Voivodship**

### **Regional Investor Assistance Centre**

**(within the Marshal's Office)**

15-888 Białystok

Wyszyńskiego 1

Contact person:

**Borys Dąbrowski**

E-mail: [borys.dabrowski@umwp-podlasie.pl](mailto:borys.dabrowski@umwp-podlasie.pl)

Phone: (+48 85) 749 74 74

Fax: (+ 48 85) 748 51 46

<http://www.wrotapodlasia.pl>

**Pomorskie Voivodship**

**Regional Investor Assistance Centre**

**(within the Pomerania Development Agency)**

80-831 Gdańsk

Piwna 36/39

Contact person:

Barbara Merchel

E-mail: [basiam@arpg.gda.pl](mailto:basiam@arpg.gda.pl)

Phone: (+48 58) 323 31 36

Fax: (+ 48 58) 30113 41

<http://www.arpg.gda.pl>

**Śląskie Voivodship**

**Regional Investor Assistance Centre**

**(within the Marshal's Office)**

40-037 Katowice

Ligonia 46

Contact person:

Magdalena Chawula

E-mail: [mchawula@silesia-region.pl](mailto:mchawula@silesia-region.pl)

Phone/Fax: (+48 32) 256-32-44

<http://www.silesia-region.pl>

**Świętokrzyskie Voivodship**

**Regional Investor Assistance Centre**

**Special Economic Zone Starachowice S.A.**

27-200 Starachowice

Radomska 29

Contact person:

Anna Jaworska

E-mail: [sse@sse.com.pl](mailto:sse@sse.com.pl)

Phone: (+48 41) 275 44 45

Fax: (+48 41) 275 41 02

<http://www.sse.com.pl>

**Świętokrzyskie Voivodship**

**Kielce Town Hall**

**Investor Assistance Centre**

25-303 Kielce

Rynek 1

Contact person:

Artur Sobolewski

E-mail: [artur.sobolewski@um.kielce.pl](mailto:artur.sobolewski@um.kielce.pl)

Phone: (+48 41) 367 61 43

Fax: (+48 41) 367 61 42

<http://www.um.kielce.pl>

**Warmińsko-Mazurskie Voivodship**

**Regional Investor Assistance Centre**

**(within the Warmińsko — Mazurskie Regional Development Agency)**

10-547 Olsztyn

Kajki 10/12

Contact person:

Agnieszka Szczyglińska

E-mail: [a\\_szczyglinska@wmarr.olsztyn.pl](mailto:a_szczyglinska@wmarr.olsztyn.pl)

Phone (+48 89) 521 12 80

Fax: (+48 89) 521 12 60

<http://www.wmarr.olsztyn.pl>

**Wielkopolskie Voivodship**

**Regional Investor Assistance Centre**

**(within the Wielkopolskie Association of Gmina and Poviats)**

61-713 Poznań

Al. Niepodległości 16/18

Contact person:

Łukasz Filipiak

E-mail: [filipiak@sgipw.wlkp.pl](mailto:filipiak@sgipw.wlkp.pl)

Phone: (+48 61) 854 19 73, 854 14 72

Fax: (+48 61) 851 53 95

E-mail: [office@sgipw.wlkp.pl](mailto:office@sgipw.wlkp.pl)

<http://www.sgipw.wlkp.pl>

**Wielkopolskie Voivodship  
Regional Investor Assistance Centre  
(within the Wielkopolska Agency for Enterprise Development)**

61-823 Poznań

Piekary 19

Contact person:

Anna Łuszczewska

E-mail: [anna.luszczewska@warp.org.pl](mailto:anna.luszczewska@warp.org.pl)

Phone: (+48 61) 656 35 07, 656 35 06

Fax: (+48 61) 656 53 66

<http://www.warp.org.pl>

**Zachodniopomorskie Voivodship  
Regional Investor Assistance Centre  
(within the Marshal's Office)**

70-952 Szczecin

Pilsudskiego 40 /42

Contact person:

Janusz Gawroński

E-mail: [jgawronski@wzp.pl](mailto:jgawronski@wzp.pl)

Phone/Fax: (+49 91) 446 71 03 or 446 71 04

E-mail: [coi@wzp.pl](mailto:coi@wzp.pl)

<http://www.um-zachodniopomorskie.pl>

## Appendices

### Appendix 1. Foreign Direct Investment: Flows to Poland in the 2005 year broken down by countries and economic zones

		Foreign capital flows to Poland mio EUR									
		Reinvested profits mio EUR			Reinve- sted profits mio EUR	Other capital transaction mio EUR			Total capital flows mio EUR		
		Assets	Liabili- ties	Net	Net	Assets	Liabili- ties	Net	Assets	Liabili- ties	Net
1. Geogra- phical zones											
	Europe	E1	2 754,7	2754,7	2 579,5	-508,4	1 861,8	1 353,4	-508,4	7 196,0	6 687,6
	BLEU										
	countries										
	(Belgo- Luxembourg Economic Union)	A3	1 613,9	1 613,9	11,6	-102,4	243,8	141,4	-102,4	1 869,3	1 766,9
	Belgium	BE	15,9	15,9	95,0	-91,5	49,6	-41,9	-91,5	160,5	69,0
	Luxembourg	LU	1 598,0	1 598,0	-83,4	-10,9	194,2	183,3	-10,9	1 708,8	1 697,9
	Denmark	DK	326,4	326,4	92,6	0,1	45,9	46,0	0,1	464,9	465,0
	Germany	DE	533,3	533,3	859,5	-78,3	193,4	115,1	-78,3	1 586,2	1 507,9
	Greece	GR	4,8	4,8	0,8	-3,6	2,5	-1,1	-3,6	8,1	4,5
	Spain	ES	120,6	120,6	-95,9	26,8	58,7	85,5	26,8	83,4	110,2
	France	FR	-662,7	-662,7	25,0	-95,3	707,5	612,2	-95,3	69,8	-25,5
	Ireland	IE	32,4	32,4	61,6	-50,5	-80,6	-131,1	-50,5	13,4	-37,1
	Italy	IT	45,7	45,7	161,4	-80,7	47,8	-32,9	-80,7	254,9	174,2
	Netherlands	NL	12,2	12,2	700,9	-106,9	-225,0	-331,9	-106,9	488,1	381,2
	Portugal	PT	41,3	41,3	18,3	-8,6	14,6	6,0	-8,6	74,2	65,6
	United Kingdom	GB	37,1	37,1	201,4	-12,0	229,2	217,2	-12,0	467,7	455,7
Austria	AT	432,8	432,8	267,0	-25,5	-98,1	-123,6	-25,5	601,7	576,2	

		Foreign capital flows to Poland mio EUR									
		Reinvested profits mio EUR			Rein- vested profits mio EUR	Other capital transaction mio EUR			Total capital flows mio EUR		
Assets	Liabili- ties	Net	Net	Assets	Liabili- ties	Net	Assets	Liabili- ties	Net		
Finland	FI		9,8	9,8	-7,6	-4,2	455,8	451,6	-4,2	458,0	453,8
Sweden	SE		214,7	214,7	174,4	55,4	-22,5	32,9	55,4	366,6	422,0
Cyprus	CY		-29,9	-29,9	59,7	2,8	20,7	23,5	2,8	50,5	53,3
Czech Republic	CZ		5,3	5,3	2,6	-27,1	27,4	0,3	-27,1	35,3	8,2
Hungary	HU		-1,7	-1,7	-143,8	-35,9	24,9	-11,0	-35,9	-120,6	-156,5
Malta	MT		1,0	1,0	-8,4		-0,8	-0,8		-8,2	-8,2
Slovakia	SK		5,1	5,1	-3,1	-2,6	9,0	6,4	-2,6	11,0	8,4
Slovenia	SI		5,9	5,9	5,7	-5,4	-14,5	-19,9	-5,4	-2,9	-8,3
Baltic countries of which:	E3		1,2	1,2	1,1	-3,8	8,7	4,9	-3,8	11,0	7,2
Estonia	EE		1,1	1,1	0,2	-0,4	2,0	1,6	-0,4	3,3	2,9
Lithuania	LT		0,1	0,1	0,9	-2,4	4,5	2,1	-2,4	5,5	3,1
Latvia	LV					-1,0	2,2	1,2	-1,0	2,2	1,2
Iceland	IS				0,1		2,4	2,4		2,5	2,5
Liechtenstein	LI		11,7	11,7	10,0	-1,6	5,3	3,7	-1,6	27,0	25,4
Norway	NO		-63,4	-63,4	19,1	-2,2	1,2	-1,0	-2,2	-43,1	-45,3
Switzerland	CH		26,2	26,2	174,6	20,1	14,9	35,0	20,1	215,7	235,8
Other European countries of which:	E2		31,0	31,0	-9,1	33,0	189,6	222,6	33,0	211,5	244,5
Albania	AL										
Bulgaria	BG		0,1	0,1	-0,8	-1,1	0,0	-1,1	-1,1	-0,7	-1,8
Belarus	BY		0,3	0,3	0,0	-0,3	0,2	-0,1	-0,3	0,5	0,2
Croatia	HR		0,2	0,2	2,4	5,6	-3,8	1,8	5,6	-1,2	4,4
Romania	RO		0,1	0,1	-0,2	11,5	1,0	12,5	11,5	0,9	12,4
Russian Federation	RU		1,0	1,0	18,8	48,3	-40,1	8,2	48,3	-20,3	28,0
Turkey	TR		0,4	0,4	-14,3	-6,2	-2,6	-8,8	-6,2	-16,5	-22,7
Ukraine	UA		6,1	6,1	-11,0	-35,4	233,7	198,3	-35,4	228,8	193,4

		Foreign capital flows to Poland mio EUR										
		Reinvested profits mio EUR			Reinvested profits mio EUR	Other capital transaction mio EUR			Total capital flows mio EUR			
		Assets	Liabilities	Net		Net	Assets	Liabilities	Net	Assets	Liabilities	Net
Serbia and Montenegro	CS						2,8	0,2	3,0	2,8	0,2	3,0
Africa	E4		-0,8	-0,8	-0,7	-4,2	-0,8	-5,0	-4,2	-2,3	-6,5	
North Africa	E5				-0,2	-3,5	0,1	-3,4	-3,5	-0,1	-3,6	
of which:												
Egypt	EG					-0,4	-0,3	-0,7	-0,4	-0,3	-0,7	
Morocco	MA					-3,3	0,4	-2,9	-3,3	0,4	-2,9	
Other African countries	E6		-0,8	-0,8	-0,5	-0,7	-0,9	-1,6	-0,7	-2,2	-2,9	
of which:												
Republic of South Africa	ZA		-0,8	-0,8	-0,1	-0,6	-0,5	-1,1	-0,6	-1,4	-2,0	
America	E7		156,7	156,7	252,6	-41,9	337,1	295,2	-41,9	746,4	704,5	
North American countries	E8		155,2	155,2	190,7	-37,2	326,6	289,4	-37,2	672,5	635,3	
of which:												
United States	US		139,2	139,2	187,3	-26,0	325,7	299,7	-26,0	652,2	626,2	
Canada	CA		16,0	16,0	3,4	-11,2	0,9	-10,3	-11,2	20,3	9,1	
Central American countries	E9		1,0	1,0	61,7	-4,4	9,2	4,8	-4,4	71,9	67,5	
of which:												
Mexico	MX					-4,3	0,8	-3,5	-4,3	0,8	-3,5	
South American countries	F1		0,5	0,5	0,2	-0,3	1,3	1,0	-0,3	2,0	1,7	
of which:												
Argentina	AR				0,0	-1,0	0,1	-0,9	-1,0	0,1	-0,9	
Brazil	BR					1,0	1,2	2,2	1,0	1,2	2,2	

		Foreign capital flows to Poland mio EUR									
		Reinvested profits mio EUR			Rein- vested profits mio EUR	Other capital transaction mio EUR			Total capital flows mio EUR		
		Assets	Liabili- ties	Net		Net	Assets	Liabili- ties	Net	Assets	Liabili- ties
Chile	CL		0,4	0,4	0,1	-0,4	-0,1	-0,5	-0,4	0,4	0,0
Colombia	CO						0,1	0,1		0,1	0,1
Uruguay	UY		0,1	0,1	0,1					0,2	0,2
Venezuela	VE					0,0	-0,3	-0,3	0,0	-0,3	-0,3
Asia	F2		131,9	131,9	-77,9	12,8	213,1	225,9	12,8	267,1	279,9
Near and Middle East countries of which:	F3		5,7	5,7	0,4	2,1	3,5	5,6	2,1	9,6	11,7
Iran	IR										
Israel	IL		1,1	1,1	0,0	-0,1	5,2	5,1	-0,1	6,3	6,2
Gulf Arabian Countries	F4		5,0	5,0	0,9	2,2	-1,6	0,6	2,2	4,3	6,5
Other Near and Middle East countries	F5		-0,4	-0,4	-0,5		-0,1	-0,1		-1,0	
Other Asian countries of which:	F6		126,2	126,2	-78,3	10,7	209,6	220,3	10,7	257,5	268,2
China	CN		0,8	0,8	0,7	-2,7	38,1	35,4	-2,7	39,6	36,9
Hong Kong	HK				0,1	-0,9	17,5	16,6	-0,9	17,6	16,7
Indonesia	ID					-0,7	0,1	-0,6	-0,7	0,1	-0,6
India	IN		0,4	0,4	0,1	-1,2	1,8	0,6	-1,2	2,3	1,1
Japan	JP		73,9	73,9	-19,0	-1,1	184,5	183,4	-1,1	239,4	238,3
Korea, (Republic of South Korea)	KR		39,7	39,7	-47,4	5,9	-35,9	-30,0	5,9	-43,6	-37,7
Malaysia	MY				0,2	0,1	11,3	11,4	0,1	11,5	11,6
Philippines	PH				-3,3		-0,1	-0,1		-3,4	-3,4
Singapore	SG		8,9	8,9	-10,0	14,2	-12,6	1,6	14,2	-13,7	0,5
Thailand	TH		0,4	0,4	-0,1	-1,6	0,2	-1,4	-1,6	0,5	-1,1
Taiwan, Province of China	TW				-0,8		1,9	1,9		1,1	1,1



		Foreign capital flows to Poland mio EUR									
		Reinvested profits mio EUR			Reinvested profits mio EUR	Other capital transaction mio EUR			Total capital flows mio EUR		
		Assets	Liabilities	Net		Net	Assets	Liabilities	Net	Assets	Liabilities
Australia, Oceania and Polar regions of which:	F7		3,9	3,9	0,4	-1,1	4,0	2,9	-1,1	8,3	7,2
	Australia	AU	3,9	3,9	0,4	-0,4	4,1	3,7	-0,4	8,4	8,0
	New Zealand	NZ				-0,4	-0,1	-0,5	-0,4	-0,1	-0,5
WORLD TOTAL	A1		3 041,5	3 041,5	2 756,4	-542,8	2 413,3	1 870,5	-542,8	8 211,2	7 668,4
2.Economic zones											
EU-15 (Intra-EU-15)	D2		2 762,3	2 762,3	2 471,0	-485,7	1 573,0	1 087,3	-485,7	6 806,3	6 320,6
Extra-EU-15	D4		279,2	279,2	285,4	-57,1	840,3	783,2	-57,1	1 404,9	1 347,8
EU-25	D3		2 749,2	2 749,2	2 384,8	-557,7	1 648,4	1 090,7	-557,7	6 782,4	6 224,7
Extra-EU -25	D5		292,3	292,3	371,6	14,9	764,9	779,8	14,9	1 428,8	1 443,7
Euro-zone	U2		2 184,1	2 184,1	2 002,6	-529,2	1 320,4	791,2	-529,2	5 507,1	4 977,9
EU Member States not belonging to euro-zone	U3		578,2	578,2	468,4	43,5	252,6	296,1	43,5	1 299,2	1 342,7
Extra-euro-zone	U4		857,4	857,4	753,8	-13,6	1 092,9	1 079,3	-13,6	2 704,1	2 690,5
EFTA (European Free Trade Association)	A5		-25,5	-25,5	203,8	16,3	23,8	40,1	16,3	202,1	218,4
OECD countries	A8		3 006,9	3 006,9	2 630,9	-577,1	2 130,2	1 553,1	-577,1	7 768,0	7 190,9
NAFTA (North American Free Trade Association)	B1		155,2	155,2	190,7	-41,5	327,4	285,9	-41,5	673,3	631,8

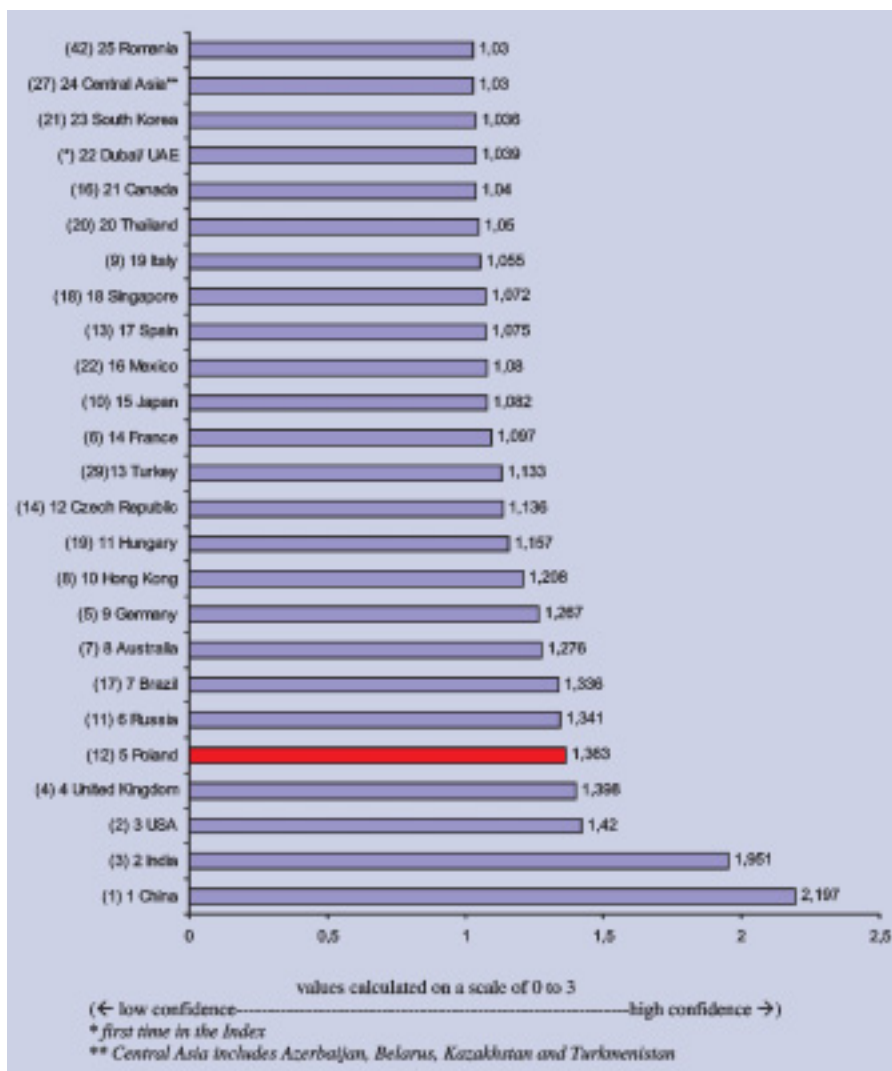
		Foreign capital flows to Poland mio EUR									
		Reinvested profits mio EUR			Rein- vested profits mio EUR	Other capital transaction mio EUR			Total capital flows mio EUR		
		Assets	Liabili- ties	Net	Net	Assets	Liabili- ties	Net	Assets	Liabili- ties	Net
NICs1 (the Core Newly Industrialising Countries)	B9		48,6	48,6	-58,1	19,2	-29,1	-9,9	19,2	-38,6	-19,4
NICs2A (Asian NICs of the second wave of industrial- isation)	C1		0,4	0,4	-3,2	-1,5	11,4	9,9	-1,5	8,6	7,1
NICs2LA (Latin America NICs of the second wave of industria- lisation)	C2		0,4	0,4	0,1	-4,7	2,0	-2,7	-4,7	2,5	-2,2
Commonwe- alth of Independant States (CIS)	C6		7,1	7,1	7,4	13,1	194,9	208,0	13,1	209,4	222,5
ASEAN (Countries for the Associa- tion of South- East Asian Nations)	B3		10,2	10,2	-13,2	12,0	-1,1	10,9	12,0	-4,1	7,9
OPEC (Organisation of Petroleum Exporting Countries)	B4		0,1	0,1	0,2	2,1	-0,4	1,7	2,1	-0,1	2,0
Offshore financial centers	C4		49,1	49,1	54,9	10,9	17,8	28,7	10,9	121,8	132,7

		Foreign capital flows to Poland mio EUR									
		Reinvested profits mio EUR			Reinvested profits mio EUR	Other capital transaction mio EUR			Total capital flows mio EUR		
		Assets	Liabilities	Net		Net	Assets	Liabilities	Net	Assets	Liabilities
3. Additional economic zones											
Latin America ACP (African, Caribbean and Pacific countries signatories of the Lome convention)	B2		0,5	0,5	1,1	-4,6	1,8	-2,8	-4,6	3,4	-1,2
Pacific ACP countries	B5		-3,2	-3,2	-2,5	-1,2	-7,0	-8,2	-1,2	-12,7	-13,9
Mediterranean Basin	B8					-0,3		-0,3	-0,3		-0,3
Maghreb countries	C3		-21,2	-21,2	45,0	3,8	4,7	8,5	3,8	28,5	32,3
Mashrek countries	C7				-0,2	-3,1	0,4	-2,7	-3,1	0,2	-2,9
Countries from Central and Eastern Europe	C8		-0,4	-0,4	-0,1	-0,4	-0,4	-0,8	-0,4	-0,9	-1,3
French Franc zone	A9		16,3	16,3	-135,9	-48,2	53,3	5,1	-48,2	-66,3	-114,5
Common Market (MERCOSUR)	C5										
Mediterranean countries in the Euro-Mediterranean Partnership	C9		0,1	0,1	0,1	0,0	1,3	1,3	0,0	1,5	1,5
	D7		-27,8	-27,8	36,7	-7,0	22,5	15,5	-7,0	31,4	24,4

		Foreign capital flows to Poland mio EUR									
		Reinvested profits mio EUR			Reinve- sted profits mio EUR	Other capital transaction mio EUR			Total capital flows mio EUR		
		Assets	Liabili- ties	Net	Net	Assets	Liabili- ties	Net	Assets	Liabili- ties	Net
International Organisations excluding European Union Institutions (for EUROSTAT needs)	7Z		-4,9	-4,9	2,5		-1,9	-1,9		-4,3	-4,3

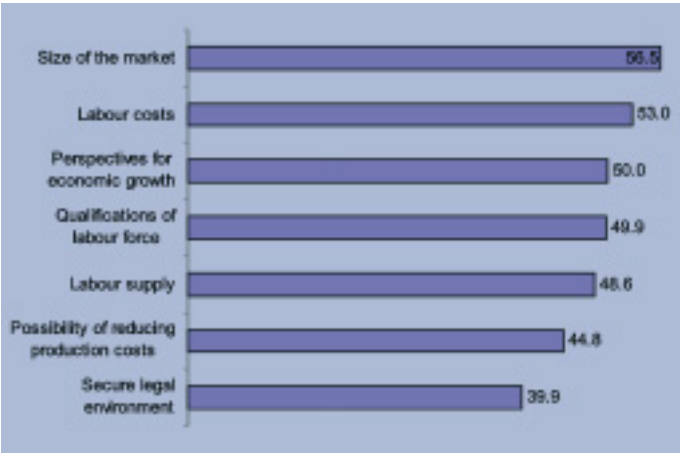
Source: Narodowy Bank Polski (NBP), National Bank of Poland, Department of Statistics,  
Warsaw, October 2006

## Appendix 2. FDI Confidence Index. Top 25 preferred destinations of foreign direct investments, December 2005 (2004 ranking in brackets)



Source: FDI Confidence Index A. T. Kearney

**Appendix 3. Most important factors encouraging investors to start business activities in Poland (%) as at 2005**



*Source: PAIIZ*



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### Wardyński & Partners

#### WARSAW

Aleje Ujazdowskie 10,  
00-478 Warsaw  
tel. 48-22 437 82 00, 22 537 82 00,  
fax 48-22 437 82 01, 22 537 82 01  
e-mail: [warsaw@wardynski.com.pl](mailto:warsaw@wardynski.com.pl)  
[www.wardynski.com.pl](http://www.wardynski.com.pl)

#### POZNAŃ

ul. Marcelinska 90  
60-324 Poznań  
Tel. +48 61 860 22 60  
Fax +48 61 860 22 61  
E-mail: [poznan@wardynski.com.pl](mailto:poznan@wardynski.com.pl)

#### BRUSSELS

Avenue d'Auderghem 36  
B-1040 Brussels, Belgium  
Tel. 0-032 (0) 2 230 3215  
Fax 0-032 (0) 2 230 3347  
E-mail: [brussels@wardynski.com.pl](mailto:brussels@wardynski.com.pl)



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This guide to doing business in Poland was prepared jointly by the professional staff of Deloitte Advisory in Poland and the Polish Information and Foreign Investment Agency (PAIIZ). The information has been based on publicly available information and our experience in Poland.

Investors' Guide Poland. How to do business is intended to provide general information on doing business in Poland and is not an exhaustive treatment of the subject. Accordingly, the information in this publication is not intended to constitute accounting, tax, legal, consulting or professional advice or services.

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Polish Information and Foreign Investment Agency (PAIIZ)  
*(Polska Agencja Informacji i Inwestycji Zagranicznych S.A.)*  
ul. Bagatela 12  
00-585 Warsaw  
tel.: (+48 22) 334-98-00  
fax: (+48 22) 334-99-99  
[www.paiz.gov.pl](http://www.paiz.gov.pl)  
e-mail: [post@paiz.gov.pl](mailto:post@paiz.gov.pl)

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PALIIZ offers investors:

- quick access to comprehensive information about the economic and legal environment,
- assistance in finding appropriate partners and investment locations,
- support at every phase of the investment process.

Another one of PALIIZ's roles is the creation of a positive image of Poland and the promotion of its products and services abroad by organising conferences, visits for foreign journalists and trade missions.

PALIIZ also promotes Poland's regions: we have established a network of Regional Investor Services Centres throughout Poland, whose goal it is to improve the quality of regional services for investors and to provide access to the most up-to-date information, such as the latest investment offers and regional microeconomic data. These specialised offices are staffed by PALIIZ trained employees and financed from local funds.



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