



Doing business in Poland - business activity step by step

19th November 2020

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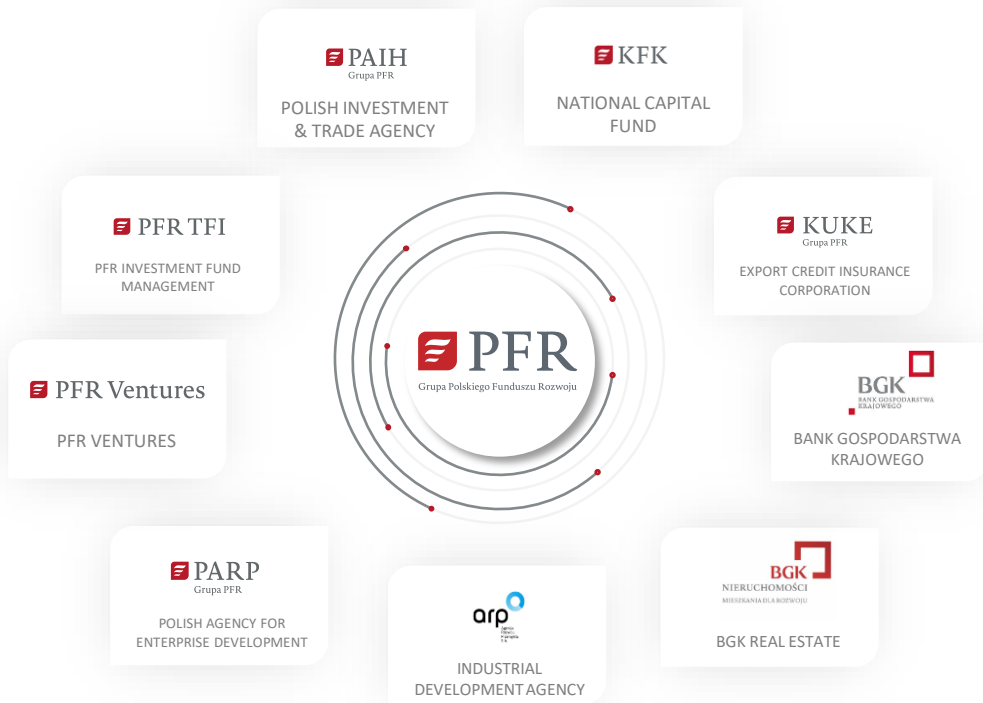
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Chapter 1: About the Polish Investment and Trade Agency

The Polish Investment and Trade Agency (PAIH) is an advisory institution, part of the Polish Investment Fund (PFR) Group. It serves as the first point of contact for exporters and investors.

Comprehensive offer of the PFR Group



PAIH's mission is increasing the inflow of FDI to Poland, as well the scope and dynamics of the expansion of Polish businesses. We operate both in Poland and through the network of Foreign Trade Offices (ZBH).

We offer quick access to comprehensive information package regarding the business and legal environment of your business projects. We also help go through administrative procedures regarding particular projects, find legal solutions, find the right location and reliable partners and suppliers.

We also provide access to financial instruments, including insurance offered by institutions associated in the Polish Development Fund Group.

The Polish Investment and Trade Agency's offer is comprised of three key pillars:



Export

Support for Polish exports with particular focus on small and medium enterprises (SMEs).



Investment

Increasing Polish investment in Poland and abroad. Support for foreign investment in Poland.

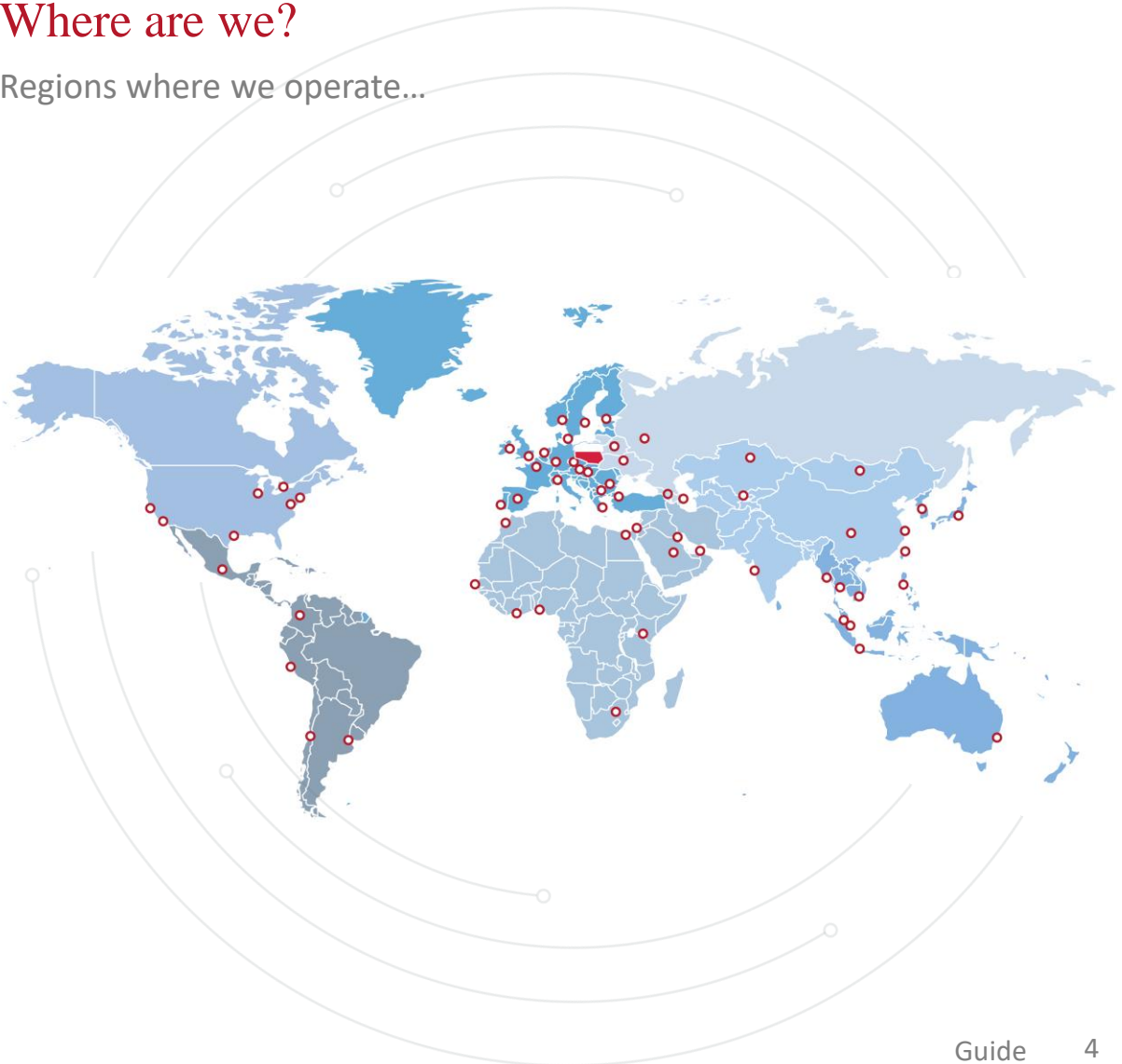


Partnership

Cooperation with public administration and business support institutions in the implementation of joint projects.

Where are we?

Regions where we operate...



PAIH's **Centre for Strategic Investments** is a team with competence and knowledge in the field of investor services, ensuring that the investment process is conducted as smoothly as possible. We offer support in the following fields:



Tailor-made macroeconomic, HR, legal and sectoral datapacks



Information about different forms of public funding



Location consulting; online database of investment plots



Identification of potential partners and suppliers



Facilitating contacts with local and central government



Organization of site visits for prospective investors



Introduction to start-ups and technology providers; organising B2B meetings



Support in building partnerships with R&D institutes and innovation centres



Follow-up services post completion of the project; media relations aftercare

Chapter 2: Why Poland? – basic information about Poland

Poland is located in the heart of Europe, which makes it a perfect investment location for companies wishing to export products both to the East and to the West. Investors can benefit from a strong economic relationship with the Eurozone as part of the EU's common market. The stability of the Polish economy makes it more resistant to economic crises. Boasting over 20 years of stable GDP growth, the country provides a business-friendly environment to investors.

- 5th most populous country in the EU (38,4 mn inhabitants)
- Largest country in CEE
- USD 1,35 tn total GDP (PPP)
- USD 33 890 GDP per capita (PPP)
- USD 265 bn total exports value

Tax rates:

- CIT 19% (base rate), 9%, 5%
- VAT 23% (base rate), 8%, 5%, 0%
- PIT 17%, 32%

Currency:

Polish Złoty (PLN)

1 EUR ~ 4,5 PLN

1 USD ~ 3,8 PLN



Source: National Bank of Poland, Statistics Poland, International Monetary Fund, UNCTAD

For more than 20 years, like no other country in Central Eastern Europe (CEE), Poland has managed to attract a significant amount of foreign capital, totaling USD 196bn. The country offers a safe and business friendly environment for foreign investors, due to its economic stability and highly skilled employees who are proficient in numerous languages.

Poland is the primary destination for investors in the CEE region, and one of the top in Europe when it comes to establishing business operations.

The country is 5th in Europe when it comes to the inflow of new FDI projects. In 2018 it attracted USD 15.3bn in foreign direct investment (7% share in the European market), in 323 projects. Furthermore, Poland ranks second as an FDI destination in Europe by the numbers of jobs created.



Business Services Sector
• 307,000 employed in SSC+IT



Automotive and electromobility
• employing 210,000
• USD 1.8 bn in the Low-Emission Transport Fund for e-mobility



Aerospace
• employing 40,000



Food processing
• employing 400,000

Key Industries in Poland



Real estate
• 40.5 m sqm on property market (office+retail+warehouse)
• investments reaching USD 7.7 bn



Research & Development
• employing 170,000
• over 40% increase in internal
• employment in the last 5 years



Electronics and white goods
• employing 78,000

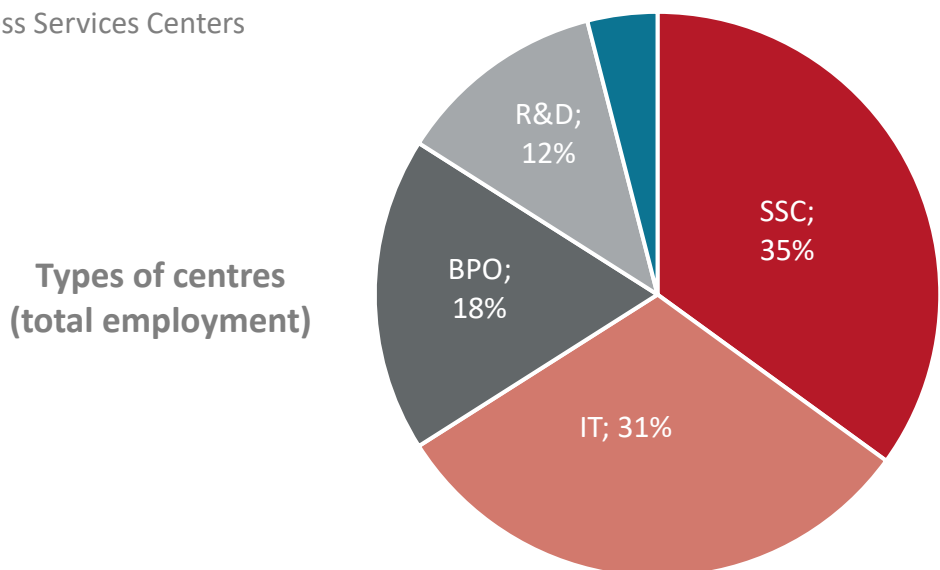
Source: Why Poland?, PAIH report

Chapter 3: BSS Sector

The business services sector is one of the most significant and dynamically developing sectors of the Polish economy. This tendency is in line with the growing importance of services to the global economy. Services are one of the most important pillars of the economy's international competitiveness. In the context of globalization and digitalization the role of this sector is expected to grow in the further.

This sector includes 'in-house' Shared Service Centres, Business Processing Operations primarily servicing external clients, IT centres, and R&D centres (including software development). Poland is the regional leader - both in the overall number of centres as well as in the total volume of employment within the industry.

- 338 000** Total employment in BSS
- 38** Number of languages in which services are provided
- 12%** Share of foreign nationals in employment
- 10%** Employment growth (y-o-y)
- 1 500** Business Services Centers

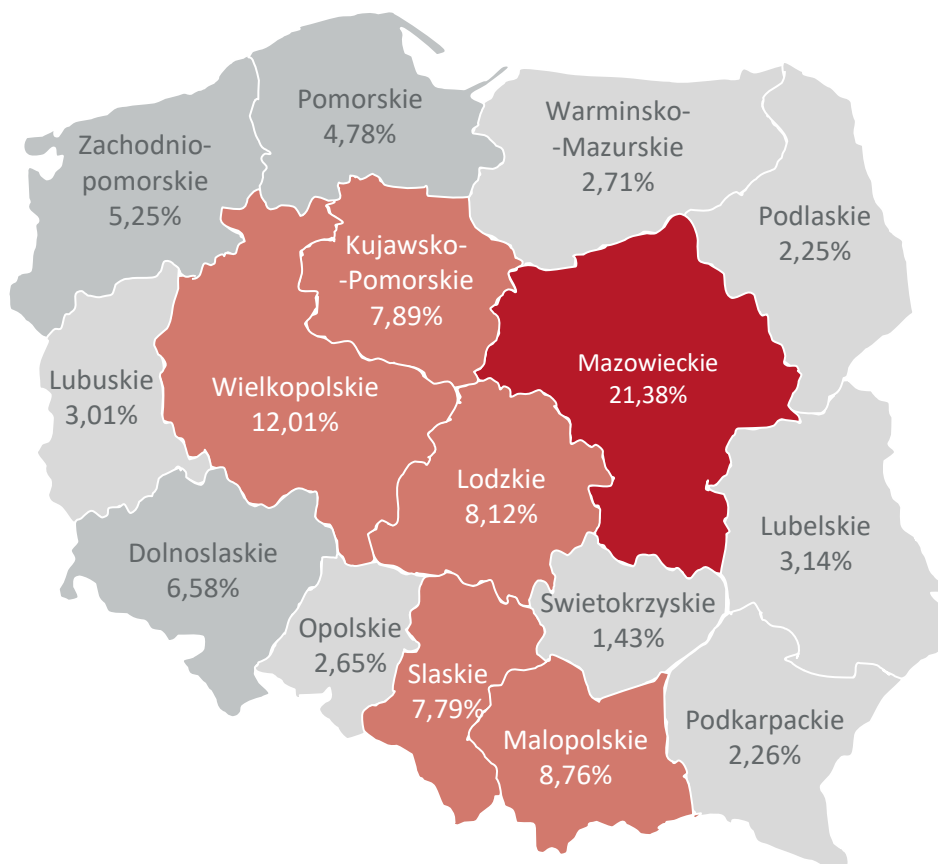


Source: ABSL report, June 2020

Chapter 4: Human resources

- **63%** of the population is under 50 years of age
- **9,8 mn** Poles under the age of 25
- **6,1%** unemployment rate
- **1 018 400** unemployed nation-wide
- **Largest inflow of foreign workers** from outside the EU
- Over **625 000** first residence permits issued for employment (2019)
- **PLN 2 600 (EUR 590)** minimum monthly wage
- **PLN 5 210 (EUR 1 160)** average monthly wage in manufacturing

Structure of work permits issued by province (2019)



Source: Statistics Poland, UN World Population Prospects, World Bank, Eurostat, Ministry of Family, Labour and Social Policy; Statistics Poland; Office for Foreigners

Labour Law – basic information

The Labour Code is the key legal act regulating relations between employers and employees. It sets out conditions under which work can be carried out in Poland.

Employment contracts cannot be less advantageous to the employee than the Labour Code and secondary regulations issued thereto provide.

An employment contract can be signed:

- for a **trial period**,
- for a **non-fixed term**,
- for a **fixed term** (including to replace an employee - in the event of his or her justified absence from work; the employer can hire another worker under a fixed term employment contract for the period of absence).

An employment contract is concluded in writing and should be signed no later than on the day the employee starts working. If no contract is signed, then the employee should be provided with written confirmation of the contract conditions before he is allowed to start work. Any changes in employment contract conditions should also be made in writing. The employer should include additional written information about certain engagement terms to the employment contract. Labour Code provisions set out the regulations that should be included in the employment contract and in the additional written information.

An employment contract can be dissolved:

- with the agreement of the parties,
- by one of the parties giving notice (employer or employee) with a notice period,
- by one of the parties giving notice without a notice period.

A contract concluded for a fixed term is dissolved at the end of the term for which it was concluded (although it can be dissolved earlier).

Working hours cannot exceed **eight hours** in any 24 or an **average of 40 hours** in an average five-day working week in a reference period applied by the employer of not more than four months.

However, the Labour Code provides an exception to this rule, e.g. relating to work which, due to production technology, cannot be broken off (so-called 24-hour shift work); in this case, the number of working hours in any 24 can be extended. Overtime refers to hours which the employee works over and above normal working hours.

Overtime is permitted:

- if rescue action is required to protect human life or health, to safeguard property or the environment or to carry out emergency repair work,
- if the employer has special needs.

Overtime cannot exceed **150 hours in any one calendar year** for each worker, unless a collective bargaining agreement, the employer's work regulations or the employment contract provide otherwise. Weekly working hours plus overtime cannot exceed an average of 48 hours in the reference to period applied by the employer.

For overtime hours worked, the employee is entitled, in addition to his normal salary, to a **supplement** of:

- **100% of pay** for working **nights, Sundays and bank holidays**, which are not, under his work schedule, the employee's working days, or days off given to the employee in lieu of Sundays or bank holidays worked in accordance with his work schedule,
- **50% of his salary** for working overtime on any day other than those mentioned above,

Source: PAIH own source, the material has been drawn up for the Polish Agency of Investment and Trade by: Domański Zakrzewski Palinka sp. k., https://www.paih.gov.pl/polish_law/labour_regulations

- **100% of his salary** for every overtime hour worked above the average weekly norm in the reference period, unless the norm was exceeded as a result of overtime for which the employee is entitled to receive the supplements mentioned in the points above.

Right to undisturbed rest - all employees are entitled to at least 11 hours undisturbed rest in every 24 and at least 35 rest hours each week.

Days free of work are Sundays and public holidays.

All employees are entitled to an annual unbroken paid vacation. An employee who is just starting his working life attains the right, in the calendar year in which he starts work, to vacation with every month that passes of 1/12 of the total vacation to which he is entitled after one year of work. An employee gains the right to the next vacation in each subsequent calendar year.

Vacation entitlement is as follows:

- **20 days** - if the employee has been working for less than 10 years;
- **26 days** - if the employee has been working for at least 10 years;
- The working period on which vacation entitlement depends includes time spent in education, depending on the type of school finished, e.g.:
- basic vocational school - length of course but not more than three years,
- secondary vocational school - length of course but not more than five years,
- secondary school of general education - four years,
- vocational college - six years,
- higher education institution - eight years,

The above periods cannot be added together.

Source: PAIH own source, the material has been drawn up for the Polish Agency of Investment and Trade by: Domański Zakrzewski Palinka sp. k., https://www.paih.gov.pl/polish_law/labour_regulations

Non-employment engagement relations

Work can sometimes be carried out on the basis of **civil law contracts** (freelance agreement, service agreement, specific task agreement or agency agreement). A person working under these types of contract does not have the employee rights set out in the Labour Code. In such contracts there is no element of the subordination that is typical in employment relations, thus the person carrying out the work under such contract has the freedom to decide how the work should be performed.

Some of the features differentiating a civil law agreement from a specific task agreement are:

- that the orderer does not give the contractor/person accepting the order direct instructions;
- the party carrying out the activity/task can be either an individual or an enterprise;
- no limitation on the number of subsequent civil law contracts concluded;
- no vacation, severance pay or other employee benefits.

It is not admissible for an employment contract to be replaced with a civil law contract if the same Code conditions regulating the work relationship are retained.

More information about labour law in Poland you can find on PAIH website:

https://www.paih.gov.pl/polish_law/labour_regulations

Source: PAIH own source, the material has been drawn up for the Polish Agency of Investment and Trade by: Domański Zakrzewski Palinka sp. k., https://www.paih.gov.pl/polish_law/labour_regulations

How to work in Poland as a foreigner?

The foreigners who have met the requirements below can work in Poland legally:

1. They possess:

- Valid visa,
- Residence permit,
- Stamp in the passport confirming the duration of a procedure of issuing a residence permit.
- They are staying on the territory of the country within the framework of visa-free traffic.

2. The employer has obtained for them:

- Work permit,
- declaration of entrusting a foreigner with the performance of work from the Employment Office,
- Or has checked if foreigners are released from the obligation of possessing a work permit.

Special procedure for employees from Belarus:

- On the basis of the declaration on entrusting work to a foreigner, citizens of Belarus may undertake short-term work in Poland for up to 6 months within the next 12 months without the obligation to obtain a work permit.
- A foreigner may work on the basis of declarations for more than one employer but may not exceed the time limit.
- In order to register the declaration, the entity intending to entrust work to a foreigner must report to the poviats labor office competent for its seat or place of permanent residence.
- The declaration must contain data that unambiguously identify the employer and the foreigner, as well as data on the job offered to the foreigner. This document should be legible, preferably in block letters.

Source: Masovian Voivodeship Office, <https://www.gov.pl/web/uw-mazowiecki/podstawowe-informacje-o-procedurach-wsc>

Chapter 5: First steps in business in Poland

If you are not a Polish citizen and you want to do business in Poland, you have a few options to do it. You can establish a branch or a representative office of your company in Poland or offer or provide temporary services. If you meet any of the conditions mentioned below, you can register activity in the same way as Polish nationals.

- 1) you are a citizen of a Member State of the European Union or of the European Economic Area,
- 2) you are a citizen of another country and hold, among other things:
 - permanent residence permit;
 - a residence permit for a long-term resident of the European Union;
 - temporary residence permit granted in connection with, inter alia, family reunion legally residing in Poland, studying;
 - refugee status;
 - subsidiary protection;
 - a permit for residence for humanitarian reasons or a permit for tolerated stay;
 - a temporary residence permit and are married to a Polish citizen residing on the territory of the Republic of Poland;
 - a temporary residence permit for the purpose of conducting business activity, granted in connection with the continuation of business activity already conducted on the basis of an entry in the Central Register and Information on Business Activity;
 - temporary protection in Poland;
 - a valid Polish Card.

You can learn more about business activity in Poland by visiting PAIH website:

https://www.paih.gov.pl/polish_law/forms_of_doing_business

or <https://www.biznes.gov.pl/en/firma/doing-business-in-poland/running-business-by-foreigners-in-poland/rules-of-conducting-economic-activity-in-poland-by-foreigners>

Source: <https://www.biznes.gov.pl/en/firma/doing-business-in-poland/running-business-by-foreigners-in-poland/rules-of-conducting-economic-activity-in-poland-by-foreigners>

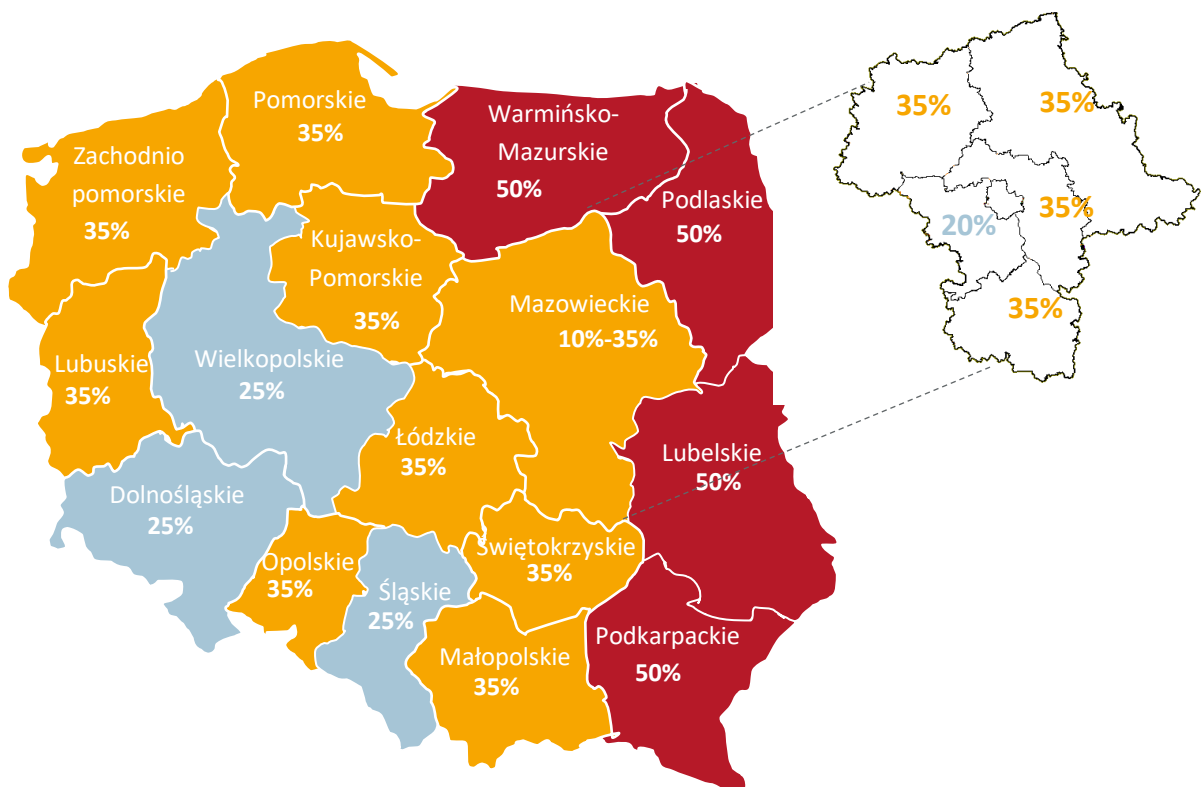
Chapter 6: Investment incentives

What is state aid?	What are the types of state aid?	What are the forms of state aid?
<p>It is an advantage in any form whatsoever conferred on a selective basis to an undertaking (an organisation engaged in economic activity) by national public authorities. The definition is very broad because 'an advantage' can take many forms – it stands for anything which an undertaking could not obtain on the open market.</p>	<p>Regional – designed to boost regional development (hence limited to regions where GDP per capita is <75% of EU average) by supporting initial investment;</p> <p>Horizontal – addressing specified objectives: support for R&D, training, innovation booster, support for small-and-medium-sized enterprises (SMEs), environment protection;</p> <p>De minimis aid – any sort of aid not exceeding EUR 200 000 over a 3 year-long period.</p>	<p>Grants, loans, tax breaks, the use or sale of a state asset for free or below the market price, any infrastructural improvement supported by state for the exclusive use of an investor (e.g. construction of a road which links the investment site to another road).</p>

Support level

Incentives for new investments are granted under regional aid rules, which means that the amount of support depends on the region where the investment will be implemented. Depending on the size of the enterprise, investors can apply for **up to 70% of eligible investment costs**.

Regional aid map 2014 – 2021

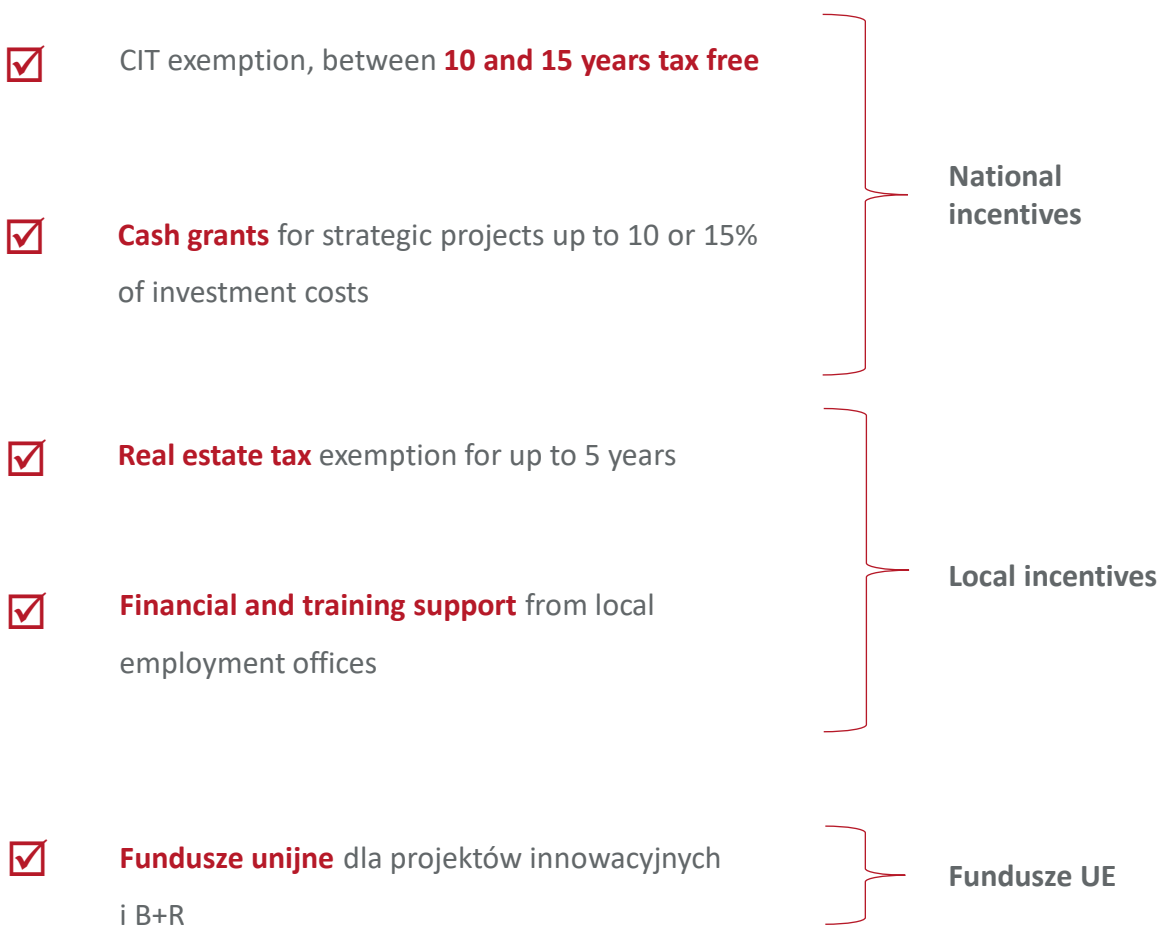


The maximum intensity of regional aid increases for micro and small enterprises by 20 percentage points, and for medium-sized enterprises by 10 percentage points.

Source: PAIH own source

Investment incentive package

The basis for the investment incentive package is the **CIT exemption**. Investment projects of significant importance to the Polish economy may also receive support in the form of subsidies under the **government grant program**. The incentive package is supplemented by local instruments in the form of **real estate tax exemptions, financial and training support**, as well as EU funds, the availability of which depends, among others, on the region, schedule of competitions, size of the enterprise or type of venture.



R&D-related incentives

R&D Center Status	R&D Tax Cut	Innovation Box
<p>Pursue R&D activities and benefit from the official status of an R&D Center</p>	<p>Easy-to-apply tax instrument for R&D activity</p>	<p>5% Tax Rate for eligible income gained through the sale of IP rights</p>
<p>Straightforward procedure – one-stop-shop at the Ministry of Economic Development</p>	<p>Deductions of 200% and 250% for R&D Centers – costs can be deducted twice or even 2,5 times!</p>	<p>Invent & Commercialize – sell it in Poland and enjoy a lower tax rate</p>
<p>Easier access to funds for innovativeness development from public aid programs</p>	<p>Benefits available regardless of company size – SMEs and MNCs treated equally</p>	<p>Covers the most popular IP rights – copyright in computer programs, patents, industrial designs</p>
<p>Annual benefits – R&D expenditure is deductible from your tax base</p>	<p>Long-term tax benefits – tax cuts available over 6 consecutive tax years</p>	<p>Long-term tax benefit – applicable during the entire lifespan of the rights</p>

Source: PAIH own source

How to get R&D Centre status?

The company:

- applies for the status of R&D unit,
- generates net revenues exceeding:
 - PLN 5 mn (ca. EUR 1,2 mn), if revenues from the sale of R&D services and the industrial property rights generated by them represent at least 20% of net income,
 - PLN 2,5 mn (ca. EUR 625 000) but lower than PLN 5 mn, if revenues from the sale of R&D services and the industrial property rights generated by them represent at least 70% of net income,
- does not have arrears in tax and social security contributions,
- applies accountancy regulations,
- subjects its financial report to examination by an auditor.

What are the benefits?

- Real estate and agricultural tax exemption;
- Easier access to funds for the development of innovativeness from public programmes;
- Higher benefits when using R&D tax relief.



Source: PAIH own source

R&D tax deduction

- An easy to apply tax incentive for R&D activity.
- Deductions **up to 100%** (150% for R&D centres) for qualified costs.
- A **broad range of qualified costs** which entitle R&D incentive benefits.
- Long-term tax incentive – a taxpayer can set off R&D deductions **in the 6 following tax years.**

Example:

- Revenues from business activities: PLN 10 mn
- Remuneration of R&D employees (costs of obtaining income): PLN 2 mn
- Tax base: PLN 8 mn
- 100% of R&D remuneration costs applicable for deduction: PLN 2 mn
- Tax base after the deduction of R&D relief - PLN 6 mn
- Tax calculated:
- regular terms: (PLN 8 mn x 19%): PLN 1,52 mn
- including the R&D tax incentive: (PLN 6 mn x 19%): PLN 1,14 mn



Source: PAIH own source

IP Box

- An easy to apply tax incentive for innovative companies;
- Preferential 5% tax rate for qualified income;
- The broadest range of intellectual property rights eligible to benefit from the Innovation Box incentive;
- Long-term tax incentive - applicable throughout the duration of the legal protection of intellectual property rights.

Categories of intellectual property rights eligible to benefit from the Innovation Box incentive:

- rights to inventions (patents),
- protection rights to utility models,
- rights to registration of an industrial design,
- rights to registration of an integrated circuit topography,
- supplementary protection certificates for a patent for a medicinal product or plant protection product,
- rights to registration of the medicinal and veterinary product admitted to trading,
- exclusive rights of legal protection for plant varieties,
- copyrights to computer programs.



Source: PAIH own source

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The Polish Investment & Trade Agency

Krucza St. 50
00-025 Warsaw

NIP: 526-030-01-67
KRS: 0000109815

Contact:

Service PAIH24: +48 22 334 99 55
Contact PAIH24: paih24@paih.gov.pl



Polish Investment
& Trade Agency
PFR Group

