

How to start a business in Poland 2016



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Why Poland?

The main reasons why to consider investing in Poland:

1. Investment potential
2. Large and growing domestic market
3. Human capital
4. Strategic location
5. Investment incentives
6. Industrial service hub



Poland in brief

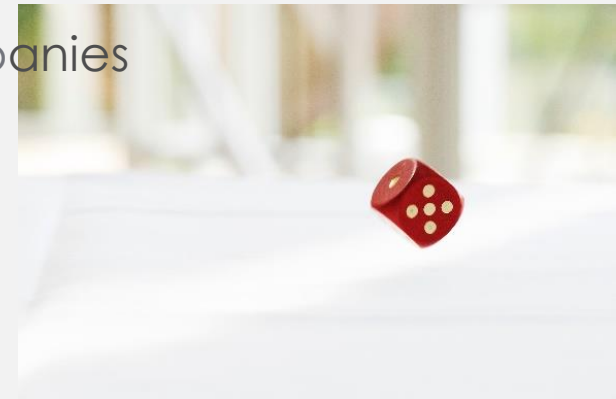
Geographic location	Central Europe, East of Germany and West of Russia; Baltic Sea in the North, mountain range of Sudety, Carpathians in the South
Border neighbours	Germany, Czech Republic, Slovak Republic, Belarus, Ukraine, Lithuania and Russia
Climate	Moderate continental
Land area	312 thousand sq. km
Resources	Wood, hard coal, crops, furniture, fish
Geographic brief	Poland has a little of everything, from seacoast in the North, through forests, lakes and farmland in the centre, to mountains in the South. Poland's strategic location between Germany and Russia has deeply impacted the history of the Polish nation.
Population	38,4 million (6th largest country in European Union and 36th largest country in the world by population size)
Nationality	(noun) Pole (s), (adjective) Polish

Poland in brief

Time zone	Central European (one hour ahead of standard GMT)
Ethnic divisions	97% Polish, 0,4% German, 0,1% Ukrainian and 0,1% Belarusian
Political system	Parliamentary democracy (Republic of Poland)
Administrative divisions	16 provinces, 380 administrative districts or poviats (of which 66 are cities with poviats status) and 2,479 municipalities (gmina)
Major cities	Warsaw (capital), Kraków, Łódź, Wrocław, Poznań, Katowice, Gdańsk
Currency	Zloty (PLN; zł)
Fiscal year	Starts January 1st

Establishing and doing business in Poland

- The legal concept of doing business in Poland is best defined under Polish law in the Act on Freedom of Economic Activity (2004);
- The investor from the EU and EFTA may conduct economic activity on the same terms as Polish citizens;
- Investor from countries that are not EU and EFTA members may conduct economic activity on the same terms like Polish citizens only if they hold permits legalizing their stay in Poland or through:
 - Establishing limited partnership, limited joint stock partnership, limited liability companies and joint stock companies;
 - Purchasing and acquiring shares in such companies



Establishing and doing business in Poland

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

- Wholesale trade and production of some alcoholic beverages
- Conducting economic activities in special economic zones
- Establishment of an investment fund or 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



Establishing business in Poland step-by-step

Choice of legal form

Signing the company's Article of association or Statute (if limited liability or join stock company)

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


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

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Establishing business in Poland step-by-step – continued




Opening an account in the bank




Applying to the tax office for a Taxpayer Identification Number (NIP)



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



Notifying the Social Insurance Institution – ZUS (this obligation arises after employment of the first person)



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Establishing business in Poland step-by-step – continued



Notifying the National Labour Inspectorate – PIP (and other institution if necessary, including, for instance the General Personal Data Protection Inspectorate)



Receiving required permissions or licenses



Registration in Tax Office a VAT payer

Legal forms of entities

The main legal forms available to Polish and foreign investors

based in countries that are EU and EFTA members):

- Join-stock company (spółka akcyjna - SA)
- European Company (Societas Europea) - (Spółka Europejska SE)
- Limited liability company (spółka z ograniczoną odpowiedzialnością - sp. z o. o.)
- Limited join stock partnership (spółka komandytowo-akcyjna - S.K.A)
- Registered partnership (spółka jawna - sp. j.)
- Limited partnership (spółka komandytowa - sp. k.)
- Professional partnership (spółka partnerska - sp. p.)
- Sole proprietorship (indywidualna działalność gospodarcza)
- Civil law partnership (spółka cywilna)

Legal forms of entities

Sole proprietorship (indywidualna działalność gospodarcza):

- Small business by a private individual
- Personal liability with all assets
- The sole proprietor is subject to personal income tax (PIT) –19%

Limited liability company (Spółka z ograniczoną odpowiedzialnością – sp. z o. o.):

- Minimum initial share capital – 5.000 PLN
- Minimum nominal value of share – 50 PLN
- Acquires legal personality at the moment of registration in the National Court Register
- Shareholders - not liable for the obligations of the company
- The limited liability company is subject to corporate income tax (CIT) – 19%

Legal forms of entities

Join-stock company (spółka akcyjna – S.A.):

- Minimum initial share capital – 100.000 PLN
- Minimum nominal value of share – 0,01 PLN
- Shares may be subject to public trading
- Shareholders - not liable for the obligations of the company
- Acquires legal personality at the moment of registration in the National Court Register
- The joint stock company is subject to corporate income tax (CIT) – 19%



Business Activities – Basic Regulations

Accounting & auditing

- 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 1st 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.

Business Activities – Basic Regulations

Accounting & auditing (cont.)

- 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 4 million;
 - the total balance sheet assets as at the end of the accounting year amounted to at least EUR 2 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.

Business Activities – Basic Regulations

Other regulations

- Code of Commercial Companies – this relates to form of doing business by companies and partnerships,
- Act on Freedom of Economic activity,
- Council Regulation on Statute for European Company (EC),
- Council Regulation on European Economic Interest Grouping (EEG),
- Act on European Economic Interest Grouping and Europeans Company,
- Banking Law,
- Law on Privatization and Commercialization of State-owned Enterprises,
- Insurance Law,
- Capital Market Regulation Act,
- Labour code,
- Competition Law

Taxation

The Polish tax system distinguishes 13 types of taxes, including:

Ten direct taxes:

1. Corporate income tax (CIT),
2. Personal income tax (PIT),
3. Tax on civil law transactions,
4. Real estate tax,
5. Tax on means of transport,
6. Inheritance and donations tax,
7. Agricultural tax,
8. Forestry tax,
9. Tax on extraction of certain minerals,
10. Tonnage tax,
11. Tax on retail sales,
12. Hydrocarbon tax,
13. Tax on some financial institutions.

Three indirect taxes:

1. Tax on goods and services (VAT),
2. Excise duty,
3. Game tax.



Taxation – CIT

- 19% tax rate in 2016. Tax year can be different from a calendar year.
- A branch of a non-resident company is generally taxed under the same rules as Polish company. Only its Polish source income is subject to taxation.
- Corporate income tax paid annually, but advance monthly payments are obligatory.
- A „tax capital group” may be formed for corporate income tax purposes.
- Tax losses suffered by the company may be carried forward and set off over five years.
- The standard withholding tax is 19% on dividends and 20% on interests and royalties. If paid abroad the rate may be reduced under the double tax treaties.
- Tax on investment incentives.
- Transfer pricing rules.

Taxation – PIT

- Individuals domiciled in Poland are subject to tax on their world-wide income.
- In most cases, natural persons in Poland are subject to the income tax calculated in compliance with the progressive tax scale with two tax rates, 18% and 32%, depending on the level of income earned as shown in the table below. Beside the progressive tax scale there is also a 19% flat-rate tax applicable to natural persons conducting business activity.
- Income tax is paid on most sources including benefit in kinds.
- Interest income from personal bank account are subject to 19% withholding tax.
- Capital gains from sale of shares are subject to 19% tax.

Personal income tax rates in 2016		
Taxable income in PLN		Tax rate
above	to	
	85 528	18% minus tax-reducing amount of 556,02 PLN
85 528		14 839,02 PLN + 32% of the surplus over 85 528 PLN

Taxation – VAT

Polish tax law provides for 4 VAT rates:

(increased rates effective 01.01.2011 till 31.12.2016):

- 23% - the basic rate; applies to majority of goods and services;
- 8% - applies to a limited number of groups of goods and services, e.g. goods related to health protection, groceries, services of hotels, folk art articles;
- 5% - applies to supply of some farm produce and foodstuffs; this rate is binding temporarily;
- 0% - applies to exports and intra-Community supply of goods, international transport services. Taxpayers enjoying 0% rate are not deprived of the right to deduct input VAT suffered upon purchases related to the activities subject to this rate.

Taxation – VAT

Objective scope of taxation determines chargeable events. Each person, who professionally carries out the below stated activities, is subject to taxation.

- Supply of goods (meant as transfer of the right to dispose of tangible property as owner) effected for consideration,
- Supply of services for consideration; supply of goods is meant as any transaction which does not constitute a supply of goods,
- Export of goods,
- Importation of goods,
- Intra-Community supply of goods,
- Intra-Community acquisition of goods,

Investment incentives

- Governmental grants provided on the basis of Programme for supporting investments of major importance to the Polish economy for years 2011-2023
- Special economic zones
- Duty-free zones
- Customs (bonded) warehouses
- Support for hiring unemployed
- Exemptions from local taxes



Warsaw Audit & Bookkeeping – contacts

Bookkeeping

Mrs. Jadwiga Szabat

President of the Management Board, Chartered Auditor

e-mail: jadwiga.szabat@ecovis.pl

Mrs. Anna Kamińska

Vice President of the Management Board

e-mail: anna.kaminska@ecovis.pl

Tax Advisory

Mrs. Katarzyna Niedabyłska

Tax Advisor

e-mail: katarzyna.niedabylska@ecovis.pl

Audit

Mr. Artur Rymarczyk

Vice President of the Management Board

Chartered Public Accountant

e-mail: artur.rymarczyk@ecovis.pl

Mrs. Katarzyna Maraszek - Zięba

Chartered Public Accountant

e-mail: katarzyna.maraszek-zieba@ecovis.pl

Mrs. Katarzyna Sztanga

Chartered Public Accountant

e-mail: katarzyna.sztanga@ecovis.cpl

Warsaw Law – contacts

Mr. Marcin Milczarek

Partner, Attorney-at-Law

e-mail: marcin.milczarek@ecovis.pl

Ms. Małgorzata Cichosz – Prokopczyk

Partner, Attorney-at-Law

e-mail: malgorzata.prokopczyk@ecovis.pl

Mr. Piotr Prus

Partner, Attorney-at-law

e-mail: piotr.prus@ecovis.pl

Mr. Nikodem Multan

Partner, Attorney-at-Law

e-mail: nikodem.multan@ecovis.pl



9A Belwederska Str.
00-761 Warsaw, Poland

phone: +48 22/ 400 19 02
e-mail: warsaw-law@ecovis.com
www.ecovis.com/poland