



HOW TO INVEST IN POLAND
WIE INVESTIERT MAN IN POLEN?

HOW TO INVEST IN POLAND

¿CÓMO INVERTIR EN POLONIA?
COMMENT INVESTIR EN POLOGNE ?



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ISBN 83-89546-54-X



 **How to invest
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C O N T E N T S

3	Preface
4	Poland- a leader in attracting foreign investment to the region
5	Preferential conditions for small and medium enterprises
7	Export insurance
7	Human capital
8	Special Economic Zones
9	Poland and the rule of law
10	Poland in the European Economic Region
11	Duties and VAT
11	European Union subsidy funds
12	How to run a business in Poland
16	Company registration
18	Taxes
20	Only good news

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Foreign companies invested nearly 7 billion dollars into the motor vehicle industry. This picture presents Opel's manufacturing plant in Gliwice.

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DEAR INVESTORS!

For almost 15 years, Poland has attracted the interest of both large and small foreign investors, who find ideal conditions here for their business activities. With 38 million consumers, the largest Central European market offers attractive potential for the neighbouring countries of the region, and for many years has been a powerful magnet for investment both by large corporations and family-run businesses.

The figures speak for themselves: since the beginning of the 1990's, direct foreign investment has reached a substantial total of almost 70 billion American dollars (USD). At the beginning of the new century, Poland faces a new challenge and a unique opportunity for even more dynamic economic growth, thanks to full integration with the countries of the European Union. From May 1st 2004, foreign investors who choose to locate their businesses near the Vistula will have access to the largest unified economic region in Europe and, together with the USA, one of the two largest areas of intensive market economies in the world.

As a member of the European Union, Poland will become even more attractive due to the low costs of running a business here and labour costs which are several times lower than in Western Europe. These are particularly important factors which contribute to the attractiveness of the country for businesses, particularly in view of high standards of civilization, compatibility of regulations and business practices with those of the most developed global economies, and the highly qualified workforce with its ability to find effective solutions.

Through this publication we would like to acquaint foreign businesses from all over the world which are considering investment in Poland with the conditions which they can expect to find here.

We would like to show them how they can engage in business activity and under what conditions they can operate in the Republic of Poland.

We believe that by offering an objective presentation of the solutions which are applied in Poland, which are for the most part similar or even identical with those found in highly developed countries, we will assist foreign businesses in making a decision whether to locate their companies in Poland, in the very heart of Europe, in a country which is a member of the exclusive OECD and WTO organizations.

We invite you to invest in Poland!

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Hotel Sheraton in Warsaw

**POLAND- A LEADER
IN ATTRACTING FOREIGN
INVESTMENT TO THE REGION**

The attractiveness of Poland for investment has long been apparent to investors from regions with similar social, economic, and cultural traditions belonging to the European and Atlantic civilizations, in the broad sense of the term. Their interest in the country is clearly reflected in their commitment in terms of capital and the extent of direct investment, as monitored by the Polish Information and Foreign Investment Agency (www.paiiz.gov.pl).

In terms of the value of accumulated foreign investment in Poland, the largest capital share in the market belongs to investors

from France, with 20%. In second place are investors from the Netherlands, whose share of foreign investment is 14%, followed by American corporations, with a share of 13%. Over 12% of investments in Poland have been made by investors from neighbouring Germany. The contribution by Italian businessmen is only half of this, but still a significant amount of capital. Foreign investments from remaining countries account for 35% of the total.

A characteristic feature of such investments is that, on the eve of Poland joining the European Union, as much as 75% of foreign investment comes from EU countries. At the same time, more and more companies based in the USA and Asia (particularly in Japan and South Korea) are investing in

 **How to invest
in Poland**

Poland through subsidiaries in European countries. The most important country acting as a mediator in such investments is the Netherlands. This tendency is easily explained, as European subsidiaries are more closely familiar with the specific characteristics of the local market, particularly in terms of legal and financial solutions, given the similarity between the markets of Poland and continental Western Europe.

Foreign investors have made a very significant contribution to generating economic growth and remain one of the main engines of growth for Polish exports. Over 50 percent of such exports derive from companies with foreign investment operating in Poland. The proportion of exports from companies with foreign investment is significantly higher than this in certain economic sectors- for example, manufacturers of car parts using advanced technologies account for 100 percent of Polish exports in this segment.

An increasing significant role is being played by small and medium enterprises, with one-off investments of less than one million USD, which so far have invested a total of 3.84 billion USD.

The extent and dynamic growth of foreign investment in Poland comes as no surprise, if the internal conditions which make running a business particularly rewarding are taken into account. These apply both to major corporations and small businesses. The latter can expect special treatment in the form of loan guarantees, which may play an even more significant role due to Poland's

membership in the European Union. Poland offers support for investors exporting goods and services and engaging in export contracts. They have the option to insure themselves against some of the risks involved in export activities through the mediation of the Export Loans Insurance Corporation (www.kuke.com.pl). One factor which considerably reduces the risks associated with running a business for foreign investors is the local labour market. Labour costs are low, and the well-trained employees are increasingly fluent in English, with IT skills and familiarity with the Internet. Companies employing some categories of employees can benefit from government subsidies. Investors will find a judicial system which guarantees all companies just settlement of disputes and the option of appealing to higher courts. The effects of bringing Polish legal and economic solutions in line with those operating in the European Union should also be borne in mind.

PREFERENTIAL CONDITIONS FOR SMALL AND MEDIUM ENTERPRISES

The extent of investment by small and medium enterprises (SME) is likely to increase once Poland joined the European Union, especially in view of the fact that the Polish government already offers them preferential financial conditions, which will be enhanced thanks to subsidies from EU resources. These conditions apply to companies which are considered by Polish

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International companies' petrol stations have permanently become a part of Polish scenery

law to be small or medium enterprises.

The law defines any company which employs fewer than 50 employees, has net earnings deriving from the sale of goods and services together with financial operations of less than 7 million Euros, or net assets of less than 5 million Euros, as a small enterprise.

A medium enterprise is defined by Polish law as one which has fewer than 250 employees, has net earnings deriving from the sale of goods and services together with financial operations of less than 40 million Euros, or net assets of less than 27 million Euros.

Polish authorities are fully aware of the fact that, unlike large corporations, small and medium enterprises often have problems

obtaining the capital they need for investments. Banks are not always willing to give loans, as it is difficult for such companies to provide appropriate security to guarantee that they will repay their obligations. For this reason, a central feature of government support for the SME sector is to act as a guarantor for loans.

Such guarantees are provided by the National Loan Guarantor Fund of the National Economic Bank (www.bgk.com.pl) besides regional and local funds for guaranteeing loans.

Polish government policies continue to emphasize preferential financing for the SME sector, for example through the Business Capital programme, which proposes to establish strong regional institutions in each

How to invest in Poland

province and an additional 100 local institutions. Besides these, the system also includes the National Loan Guarantor Fund, which, as at present, will remain part of the National Economic Bank. At the forefront of the system is the Polish Business Development Agency (www.parp.gov.pl). In the years 2004- 2006 regional and local funds will benefit from subsidies from EU structural funds amounting to some 750 million PLN (about 166 million Euros).

EXPORT INSURANCE

Insurance cover is available for export payments deriving from over 190 countries for foreign investors operating in the Polish Republic and exporting goods and services, irrespective of the type of exports and the scale of activities, thanks to the Export Loans Insurance Corporation (www.kuke.com.pl). This corporation has statutory authorization to provide export insurance, underwritten by the State Treasury, for markets which are not insured by other, private insurance agencies. It offers clients insurance cover for payments owed for exports by Polish and foreign clients, provides export insurance cover, insurance guarantees, and reinsurance, which are underwritten by the State Treasury. Polish law also allows export insurance guarantees underwritten by the State Treasury to cover export loans, export contracts, direct foreign investments, and costs of finding foreign sales markets. Export insurance can also be in the form of

direct insurance, reinsurance, or insurance guarantees. Insurance for export contracts covers the liability of the insured party in the event of failing to fulfil a contract or to meet the deadline stated in the contract, subject to the condition that such failure arises from events defined as business or political risks. The insured party can only claim on insurance cover for direct investment in the event of damages arising in the course of investment as a result of political risks. Insurance cover for the costs of finding foreign sales markets is possible in the event of failure to sign a planned contract, provided that such failure is not caused by the insured party and is independent of his actions.

HUMAN CAPITAL

A particular asset of the labour market is highly educated young Poles, proficient in foreign languages and familiar with computers and the Internet. They are the largest such group on the labour markets of Central Europe. As many as 35% of the population are under the age of 25. Four times more students are participating in tertiary education than 10 years ago. According to United Nations statistics, the rate of scholarization, which expresses the proportion of the population in education, is 32.3 percent, by far the highest percentage of any country in the region. By contrast, 16% of the population of the Czech Republic is in education, while the corresponding figure for Hungary is 20 percent.

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Philips Consumer Electronics Industries Poland S.A. in Kwidzyn is one of the biggest TV manufacturers in Europe

Graduates receive special treatment on the labour market. The "First Job" government programme subsidizes employers of graduates by providing a partial refund of their employment costs, including salaries and social security contributions.

It should be born in mind that average salaries in areas of high unemployment are significantly lower than in other parts of the country, particularly in large cities, even though employees there often have the same qualifications. The best areas for finding cheap and good labour include the provinces with the highest unemployment rates: Warmia and Mazuria, Kujaw-Pomerania, Lubusz, and West Pomerania. An additional advantage of investing in these areas are tax incentives. In order to

attract foreign investment, local governments offer investors who are creating new jobs substantial relief from local taxes (e.g. property tax) or often total exemption from local taxes, even for several years. Some investors can also benefit from other incentives, such as opportunities to lease land or production facilities at below market prices.

SPECIAL ECONOMIC ZONES

Particularly preferential conditions are available to companies investing in Special Economic Zones (SEZ), located in areas of high unemployment or those which are threatened by a high degree of structural unemployment. The first such zones were



How to invest in Poland

modelled on zones in Shannon in Ireland, and were set up during 1995-1997 in Mielec, Katowice, Suwalki, Łódź, Wałbrzych, and Legnica. Currently, there are 14 special economic zones in Poland and one Technology Park.

Investors in special economic zones must fulfil special conditions, for example the minimum investment is 100,000 Euros, while the minimum period for which jobs created as a result of investment must be maintained is 5 years. Companies which fulfil these conditions can benefit from substantial incentives, of which the main one is partial relief from corporate income tax for 10 years up to 5 percent of total investment costs in the case of purchasing land, 40% in the case of investing in buildings, and 70% of the costs of equipping such property. The total of these cost components may not exceed 100 percent.

Due to its membership of the European Union, Poland may not increase the number of Special Economic Zones or expand existing zones. After Poland joins the European Union, an alternative incentive to such zones will be capital subsidies of at least 250 million PLN per year.

POLAND AND THE RULE OF LAW

Foreign investors who decide to run a business in Poland will encounter a legal system which resembles those of the continental Western European countries with the most highly developed economies. A

general principle of the Polish legal system is that it guarantees equal treatment of all companies, in accordance with the law. In practice this means that foreign companies investing in Poland will receive the same treatment as Polish companies. Application of the law is based on the principle of guaranteeing the option of appeal to higher authorities, irrespective of whether it relates to an administrative decision made by local or national government, or a ruling of the courts.

Poland does not have separate courts for dealing with companies. Instead, cases concerning companies are dealt with by economic sections of civilian courts, in accordance with general legal principles. Judges are autonomous and subject only to the law. Civilian courts are divided into city courts (which, however, are exclusively concerned with criminal law offences by individuals), regional courts, which are the basic level of courts dealing with economic matters, district courts, and appeal courts. At the peak of this structure is the Supreme Court. However, interpretation of the law in the rulings of this court is not imposed on civilian courts, as, for example, in Anglo-Saxon legal systems; they are merely used as guidelines for rulings by civilian courts. Each higher level of courts fulfils the role of appeal courts for rulings passed on a lower level.

Contacts between entrepreneurs and administrative authorities are regulated by the Administrative Code, and procedures are regulated by the Administrative

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Pharmaceutical company GlaxoSmithKline in Poznań

Procedures Code, which is binding on both parties, i.e. for entrepreneurs and for government authorities. These procedures also ensure the unconditional right to appeal to the authority supervising the authority which delivered a particular judgment. In addition, even at the highest level, government authorities are subject to judicial supervision, with the Supreme Administrative Court as the court of highest instance. In the course of their business operations, foreign investors will most frequently have dealings with economic laws, including the Commercial Code, which provides a framework for the economy. The Commercial Companies Code is also an important set of laws for entrepreneurs. In the case of disputes between companies,

the laws of the Civil Code are usually applied. Tax Regulations and individual taxation acts are also of relevance to entrepreneurs.

POLAND IN THE EUROPEAN ECONOMIC REGION

In accordance with Articles 68-70 of the European Union, as a future member state Poland has undertaken to bring its laws into line with those obtaining in the Union. The basic framework for meeting these obligations is the National Membership Preparation Programme accepted by the government in 1998.

The main element of bringing laws into line with EU requirements is implementation of

How to invest in Poland

European directives, which apply equally to all member states. Although they do not automatically apply to all individual member states, all laws based on the directives must be fully compatible with them. For this reason, the Commercial Code has been amended, along with other laws. New laws have been passed in the Commercial Code which bring the rights and obligations of foreign companies operating in Poland into line with the rights and obligations of Polish companies.

DUTIES AND VAT

The most visible result of economic integration is the removal of taxes and duties on exports and imports between Poland and other European Union countries. For customs and taxation purposes, borders will cease to exist. There will be radical changes in the concept of Value Added Tax (VAT). The terms export and import will only apply in relation to countries which are external to the European Union. Goods supplied from one VAT payer to another will be taxed at a rate of 0 percent in Poland, whereas in the country of delivery the rate of VAT used there will be applied. As far as supplies to end consumers are concerned, who pay VAT in the form of higher prices of goods, but are not themselves VAT payers in the sense defined by taxation regulations, the final price will include VAT charged at the rate in force in the country of origin of the goods. The exception to this rule are new vehicles, which are taxed at the rate in force

in the country where they are sold.

As far as other taxes are concerned, there will be no major changes, and in some cases there will be no changes at all. For example, rates of duty are not standardized in the European Union. Standardization is only envisaged by EU legislation for alcohol, tobacco, and mineral oil products.

EUROPEAN UNION SUBSIDY FUNDS

Once Poland joins the European Union, companies operating within Poland will have new opportunities to obtain subsidies for their economic activities thanks to the so-called structural funds.

Indeed, Poland, and -directly or indirectly, businesses too- are already benefiting from the so-called pre-accession funds, the largest of which is the PHARE fund, intended to stimulate the development of the private sector. The budget of the European Union for 2000- 2006 set aside 1.56 billion Euros through this fund for 10 candidate states. The ISPA fund is intended for environmental protection and transport. For 2000-2006 it has a budget of over 1 billion euros, 350 million of which have been allocated to Poland. Development of rural areas, including business activities in such areas, is supported by the SAPARD fund. 300 million Euros from this fund have been allocated to Poland.

Poland will have access to European Union Structural Funds in 2004. They are intended

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Poland is 10th largest beer market in the world. This picture presents the Belgia Brewery in Kielce

to support restructuring and modernization of economies in the countries of the European Union whose levels of development are below the European average. Alongside these funds is the European Cohesion Fund, which provides temporary support for countries in which Gross Domestic Product is less than 90 percent of the European average, as in the case of Poland. A good example of the possibilities offered by structural funds is the proposed support for small and medium enterprises. Once Poland joins the European Union, they will be able to apply for subsidies of up to 25 percent of investment, provided that companies obtain funding for the remaining 75% of costs themselves.

HOW TO RUN A BUSINESS IN POLAND

The rules for foreign investors running a business in Poland are the same as for local entrepreneurs. This already applies without exceptions to businesses with head offices located within European Union member states. For businesses from other countries, the mutuality principle applies. According to this, entrepreneurs from countries in which foreign investors receive the same treatment as local entrepreneurs are allowed to operate under the same conditions as Polish entrepreneurs in Poland.

In practice, foreign entrepreneurs from countries outside the European Union who intend to invest in Poland should first contact

 **How to invest
in Poland**

Polish diplomatic representatives in their country, to check whether the mutuality principle applies there. If so, the entrepreneur will receive an official declaration, which he should present when registering a business in Poland. However, even entrepreneurs from countries where the mutuality principle does not apply can run a business in Poland, subject to the business which he founds or is a partner in being a limited partnership, a limited liability company, or a joint stock company.

The general principle which applies to the Polish economy is that of economic freedom, which can be summarized as follows: everything which is not prohibited by law is permitted. However, some types of business activity are subject to special regulations.

Some of these regulations apply to the issuing of concessions by state authorities, which are required for prospecting for and extraction of minerals and deposits, manufacture and distribution of explosives, manufacture and distribution of fuel, protection of persons and property, air transport and services, railway management, construction and operation of toll roads, and broadcasting radio and television programmes. Concessions are issued for periods of 2 to 50 years. In the case of refusal to issue a concession, an appeal can be made to the Supreme Administrative Court. An additional form of regulations on business activities is the issuance of licences, for example in the case of manufacturing pure alcohol, distribution of alcoholic drinks, insurance activities,

operating a bonded warehouse, or offering detective services. Unlike concessions, licences are issued for an indefinite period. Investors who decide to operate in Poland can choose from a wide range of business options. They can operate independently as "John Smith", or instead they may invite another individual, either a Polish citizen or a foreigner, to join their business. They can found their own company or purchase shares in an existing company, for example in a company privatized by the State Treasury. These are decisions of a strictly business nature, which are the sole province of the investor. Where we can help is in the choice of the legal form of business activity in Poland.

A foreign entrepreneur who intends to learn more about the Polish market and to inform consumers of his activities can set up an agency, after having registered it in a special register administered by the Ministry in charge of economic affairs. However, an agency does not have the right to conduct business activities in Poland. It is only allowed to conduct promotional and advertising activities which provide information about the activities, products, and services of the parent company based outside Poland.

An investor can also establish branches of a foreign company in Poland. In this case, he is obliged to use the name of the company in the original language together with the name of its legal form as used by the company's central office translated into Polish, together with the words: Branch in

 **How to invest
in Poland**

Poland. However, in this case there are other, significant restrictions on branches of foreign companies. The branch is only allowed to conduct the same type of business and in the same form as the parent company abroad.

However, a majority of foreign investors decide to conduct business in Poland on the same principles and using the same legal forms as Polish entrepreneurs, as this is a more straightforward option, and does not involve the same restrictions as in the case of operating an agency or a branch of a foreign company.

In order to make the right decision, a foreign investor should first acquaint himself with two concepts which are basic to Polish economic practices: physical and legal persons.

A physical person is a human being in the broadest sense of the word, identified by a name and a surname. An entrepreneur who decides to operate as a physical person must bear in mind that he will answer with all his property for all the effects of his business decisions, including tax liabilities. However, this type of business operation also has some advantages. Firstly, this is a very simple option, which does not incur any of the high costs involved in registration procedures. Secondly, bookkeeping is considerably more straightforward. Thirdly, it keeps business overheads down: bookkeeping and legal needs can be met simply by using an appropriate computer programme or the services of specialized agencies, which tend to apply discounts to

such entrepreneurs and can meet their needs for less than 200 euros a month. Lastly, the fourth advantage of such business activities is that they do not require any major initial investment.

In Polish business practices, a legal person means an association of capital. A partner founds or participates in an economic entity, which is defined by law as a separate, autonomous legal entity. As a result, "John Smith" is not liable for the business decisions made by all the partners in the company. He does not have to answer with his property for the sums payable by the company, even for overdue taxes. Even in the worst possible case, he can only lose the value of his shares. If the company goes bankrupt, he simply loses the money which he has invested in it. A disadvantage of associations of capital is that they are more complicated and expensive to register, and generally the assistance of a legal specialist is required.

Simple bookkeeping procedures are not sufficient, as a company is obliged to keep accounting records, to prepare an annual balance sheet, and to undergo a financial audit, with a significant resulting increase in overheads. Professional accounting is essential, particularly in view of the fact that Polish accountancy regulations are just as complicated as in the other highly developed countries.

The most significant factor is that associations of capital require significant investment. Of the two types of such company, the minimum founding capital,

How to invest in Poland



Electronic management centre of Telekomunikacja Polska S.A. France Telecom is the strategic investor

which is required merely for registration purposes, is 50,000 PLN (over 11 thousand Euros) for a company with limited liability, referred to as Ltd. Co. (sp. z. o. o.). In the case of a joint stock company (referred to using the abbreviation S.A.) the minimum total value of shares is 500 thousand PLN (over 110 thousand Euros). In addition to this, capital is required to run the company, to provide reserves, to pay the high salaries of the Board of Directors as required by law, and in the case of a joint stock company, those of the Supervisory Board.

Polish businesses include companies which function as commercial companies, but are not associations of capital. These are personal companies, the most popular form of which is that of a registered partnership.

In such a company, all partners are jointly responsible for the obligations of the company and answer for them with all their property, as in the case of physical persons running a business.

Another type of personal company is a partner company, which can only be founded by members of liberal professions as defined by Polish law, such as barristers, insurance brokers, accountants, doctors, vets, and sworn translators. In this case, financial liability is somewhat limited, as each of the partners only answers with his property for obligations arising from his personal conduct of his profession. In addition to this, there are also limited partnerships, in which one of the partners, a so-called unlimited partner, is liable for all


**How to invest
in Poland**

of his property, whereas the liability of the so-called limited partner is restricted.

COMPANY REGISTRATION

Once a decision has been made about the form which investment should take, the company should be registered. However, this is only the first step towards legal operation of the company. The next step is to obtain a REGON number, followed by a visit to the Tax Office to obtain the next important number, the Tax Identification Number (NIP). Next comes the choice of the form of taxation, and, with some types of business activity, registration with social security. There is also one magic object which is simply indispensable for running a business in Poland: a company stamp. In the near future, it is expected that laws will be passed to simplify the registration procedure by concentrating most of the activities connected with these formalities in one department, which will make matters considerably easier for investors. We suggest that investors should keep track of developments in this area.

In Poland there are two parallel systems for registering business activity- records of business activity, and the National Court Register.

Records of business activities are maintained by mayors of cities and towns, and municipal administrators in municipalities. They can only be used to register businesses run by physical persons

on their own behalf. In this case, the business is registered in the office with authority over the place where the person running the business lives, with its name, the personal details and address of the entrepreneur, the nature of its operations, and the date of their commencement. When registering a business, a foreign investor should bring a passport and a document confirming his legal entitlement to use the premises in which the business will be run (e.g. a rental agreement). The same documents are required for listing in the National Court Register. Confirmation that the business has been entered into the records will be provided within 14 days at the latest. Registration costs are 100 PLN (about 22 Euros).

All commercial companies should be registered in the regional branch of the National Court Register with authority over the place where the company conducts its business. Branches of the National Court Register are affiliated to economic departments of regional courts in Białystok, Bielsko-Białe, Bydgoszcz, Gdańsk, Gliwice, Katowice, Kielce, Koszalin, Krakow, Lublin, Łódź, Olsztyn, Opole, Poznań, Rzeszów, Szczecin, Toruń, Warsaw, Wrocław, and Zielona Góra.

Registering the most popular type of personal company, the registered partnership, requires its name, registered office, address, and personal details of partners and persons authorized to represent it to be stated. In the case of associations of capital, details such as the

 **How to invest
in Poland**

following are required: the name of the company, the company's office and its address, the nature of its business, the amount of founding capital, and the personal details of the members of the board. A copy of the company's articles of association and confirmation of the signatures of board members by a solicitor are also required. Entry in the National Court Register costs 1000 PLN (over 220 Euros). Associations of capital have to pay 500 PLN (over 110 Euros) for a compulsory announcement in the "Court and Economic Monitor". Founding capital also has to be paid.

Once a declaration from the record of business activities or an extract from the National Court Register has been obtained, the prospective entrepreneur must visit the relevant provincial Statistical Office. Here, he needs to submit a form applying for entry in the Official National Register of Economic Entities. Registration usually takes place immediately, and is free of charge.

The tax office with authority over the entrepreneur's place of residence (or, in the case of a company, its office) should be visited together with all the documents obtained so far, including personal documents and documents confirming entitlement to use the relevant premises. The tax office will register the entrepreneur in taxation records free of charge, and within 30 days he will receive a Tax Identification Number (NIP). This number is used in all official company documentation, and in tax returns in particular. The next thing to do in

the tax office after having obtained a Tax Identification Number is to choose the form of income tax and VAT payments.

Physical persons and those who are running a business in the form of a personal company are obliged to pay social security contributions. The relevant declarations should be made in the local branch of the Social Security Department (ZUS). Contributions are paid every month, and the minimum payable by an entrepreneur is currently around 145 Euros, subject to changes every quarter. Social security contributions are not paid for companies under commercial law, but instead they pay social security contributions for company employees.

One object which no Polish business can function without is the company stamp, which must be used on all official company documents. Ideally, it should include all the information required for contacts with government offices and clients. In addition to the name of the company and the form of business activity (e.g. a limited liability company) it should also include the address, REGON, and Tax Identification Number. Without such a stamp it is impossible, for example, to open a company account at a bank.

Polish economic law, and tax offices in particular, require companies to hold company bank accounts. Moreover, all payments involved in a single transaction in excess of 3 thousand Euros must be made through the bank account. Also, if total transactions for the previous month were in

 **How to invest
in Poland**

excess of 10 thousand Euros, all payments over 1 thousand Euros should be made through the bank.

Opening a company account involves signing a contract with a bank. It is to be expected that the bank will require originals and photocopies of all registration documents and documents of persons authorized to represent the company. The contract signed with the bank is usually accompanied by specimens of signatures of company representatives authorized to conduct bank transactions. A copy of the company stamp is also required. All instructions to the bank, e.g. for transfers or payments, should faithfully reflect these, otherwise the bank will not be able to act. The banking system is well prepared to serve businesses. Banks operating in Poland offer a high degree of security for the funds entrusted to them, thanks to the strong position of the central bank, the Polish National Bank (www.nbp.gov.pl) and the wide-ranging supervisory and reforming powers of the Bank Supervisory Commission. Commercial banks offer special packages for businesses tailored to the size of the company, the nature of its business, and the type and scope of business activities. As in the case of their counterparts in highly developed countries, they offer a wide range of banking products: transfers, deposits, fixed deposits, overdrafts and investment loans, cheques, debit and credit cards, letters of credit, and collection against documents.

The costs of a company bank account for small and medium enterprises are usually in

the range of 10-50 Euros. There are an increasing number of banks which do not charge any fees for the actual account, Internet banks in particular.

TAXES

In Poland, tax offices are responsible for collecting and supervising taxes, and appeals against their decisions can be made to the tax chambers. Overall supervision of taxes is the responsibility of the Ministry of Finances (www.mf.gov.pl). Decisions made by the taxation authorities are subject to supervision by civilian courts. The basic types of taxation directly connected with business activities are: personal income tax (PIT), corporate income tax (CIT), and Value Added Tax, also known in Poland as goods and services tax.

Personal income tax is paid by entrepreneurs who are considered by Polish law to be physical persons, and by personal companies. Personal income tax payers have the option of maintaining simplified financial records for taxation purposes, using the so-called cashbook. This book is detailed enough to enable all expenses to be properly accounted for, including costs arising from the depreciation of fixed assets owned by the company.

Income tax (including corporate income tax) is paid on income, irrespective of the earnings which it is derived from. The law defines income as the excess of earnings over the costs of obtaining them in the course of the financial year, which in Poland

 **How to invest
in Poland**

Cadbury Wedel in Warsaw is famous for its chocolates

is identical with the calendar year. In the case of a tax loss, taxpayers can carry it forward over the next five tax years, during each of which tax credits may not exceed half of such a loss. In 2003 personal income tax rates were 19, 30, and 40 percent, depending on the amount of income.

This tax is paid by legal persons such as associations of capital, including those which are still in the process of being founded and those which form groups of capital for taxation purposes. Taxpayers based in Poland are obliged to pay taxes on their total income, irrespective of where it is derived from. An exception is made for branches of foreign companies, which only pay tax on income derived from Poland. In 2003 the rate of corporate income tax was

27%. However, the Polish government plans to make radical reductions in the tax burden on companies by reducing the corporate income tax rate to as little as 19 percent.

In Poland, value added tax is paid on similar lines to member states of the European Union. Taxes are paid on sales of goods, services which are charged for, and exported goods and services. In the case of the latter, preferential rates of 0 percent are applied. Other preferential rates are 3, 7, and 12 percent, but due to Polish membership of the European Union, most of them will no longer be used. The base rate of VAT is currently 22. Smaller companies with sales or exports of goods and services of less than 10 thousand Euros per tax year do not pay VAT. They can also pay a flat rate of income tax.

 **How to invest
in Poland**

Other taxes also apply in Poland, but are of a less universal character. Entrepreneurs importing goods and services, and e.g. manufacturers of fuel, alcoholic drinks, or tobacco products, will certainly have to pay duty. There are also local taxes, such as property or forest taxes, but these do not depend on a company's turnover or income.

ONLY GOOD NEWS

Foreign investors considering running a business in Poland count, with good reason, on the availability of support from various institutions, particularly in relation to obtaining information about the specific features of the Polish market. The first sources of such information are Polish embassies and consulates in the country of the foreign entrepreneur, and in particular Economic and Commercial Departments, or the embassy staff responsible for economic and commercial matters. A list of Polish embassies and consulates can be found on the website of the Ministry of Foreign Affairs (www.msz.gov.pl). You can also find important and useful information from the

Ministry of Economy, Labour and Social Policy (www.mgpiops.gov.pl), the Office of the Committee for European Integration (www.ukie.gov.pl), the Ministry of the State Treasury (www.msp.gov.pl), the Ministry of Finance (www.mf.gov.pl), the Polish Information and Foreign Investment Agency (www.paiiz.gov.pl), and the Polish National Bank (www.nbp.gov.pl). Commercial websites such as www.hoga.pl, www.ekspander.pl, www.firma.onet.pl, and www.bankier.pl are also useful. A wide range of business information can also be found in daily newspapers such as "Rzeczpospolita", "Gazeta Wyborcza", and financial or legal newspapers such as "Puls Biznesu" and "Gazeta Prawna".

Local business organizations are a very good source of information. The largest institution of this kind is the National Chamber of Commerce (www.kig.pl), an association of almost 150 business organizations, which over 500 thousand entrepreneurs belong to. Among the organizations representing foreign investors, the Chamber of Industry and Commerce for Foreign Investors is worth noting (www.iphiz.com.pl).

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