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# Doing Business In Poland

EMEA 2019 Central Europe Meeting



# About Poland

- Total area over 300,000 sq km
- Population over 38 million people
- Joined the NATO alliance in 1999
- Member of the EU since 2004
- Part of the Schengen Area and EU single market
- Polish currency – Złoty (PLN)





# About Poland



- One of the fastest growing countries within EU
- Avoided recession in the late 2000's
- One of the most attractive locations for foreign investments
- Member of WTO and the OECD
- Biggest cities: Warsaw, Cracow, Łódź, Wrocław, Poznań, Gdańsk, Szczecin, Katowice

# Poland in figures

- GDP per capita: 68% of the EU average
- GDP value: USD 524.5 bn
- Economic growth: 5.1% GDP growth in 2018
- Inflation at the end of 2017: 1.81%
- Exports: USD 261.8 billion
- Public debt/GDP: 48.9%
- Unemployment rate 3.5%
- Average gross wages and salaries in enterprise sector PLN 5,165



# Forms of business operations



- Entrepreneurs conduct business in the form of capital companies or partnerships
- Natural persons can operate under their own name
- Freedom of business operations as a constitutional principle
- Entry in the register or records of business operations sufficient to start a business



# Capital companies

- Limited liability company and joint stock company
- Acquire legal personality as of the date of their entry into the National Court Register
- May be established by natural or legal persons
- Shareholders are not liable personally for the obligations of the companies
- Governing bodies: Meeting of Shareholders, Management Board and Supervisory Board

# Limited liability company

- Most often established
- Minimum capital amounts to PLN 5,000
- Articles of association in the form of a notarial deed
- Shareholders may be natural persons or companies

## Joint stock company

- More complex and formalized than limited liability company
- Required for special types of operations
- Minimum capital amounts to PLN 100,000



# Types of partnerships

## Commercial partnerships

- Regulated in the Code of Commercial Partnerships and Companies
- Registered partnership (sp. j.), Limited partnership (sp. k.), Limited joint stock partnership (S.K.A) and Professional partnership (sp. p.)

## Civil partnerships

- Governed by the provisions of the Civil Code
- Intended for conducting operations on a small scale
- Does not have a status of entrepreneur

# Types of partnerships

- Each partner has a right to manage the affairs of the partnership
- Partners share in profits on the terms provided for in the Code of Commercial Partnerships and Companies
- The issue of profit sharing may be regulated differently in the articles of association
- The problem of unlimited liability of a general partner may be minimized if such partner operated in the form of a capital company

# Branches and representative offices of foreign entities

- Entrepreneurs from outside the EEA may establish branches in Poland on a reciprocity basis
- Branches may perform business operations only within the scope of operations of the foreign entrepreneur
- The law requires the foreign entrepreneur to appoint his representative in Poland





# Branches and representative offices of foreign entities



- The scope of operation of the representative office may cover only advertising and promotion
- Representative offices are entered into the register of representative offices of foreign entrepreneurs

# Taxation of income of capital companies

- Tax in the amount of 9% or 19% of income
- Annual tax
- Companies pay advances during the year
- A loss may be accounted for with income over 5 years



# Taxation of income of capital companies



- In many cases double taxation has been eliminated
- In principle tax on dividends of 19% is collected
- Often a lower tax rate or exemption is applied



# Taxation of income of partnerships

- Income is taxed only once at partner level
- Income is treated as income from business operations of individual partners
- The type of tax depends on a shareholder's status



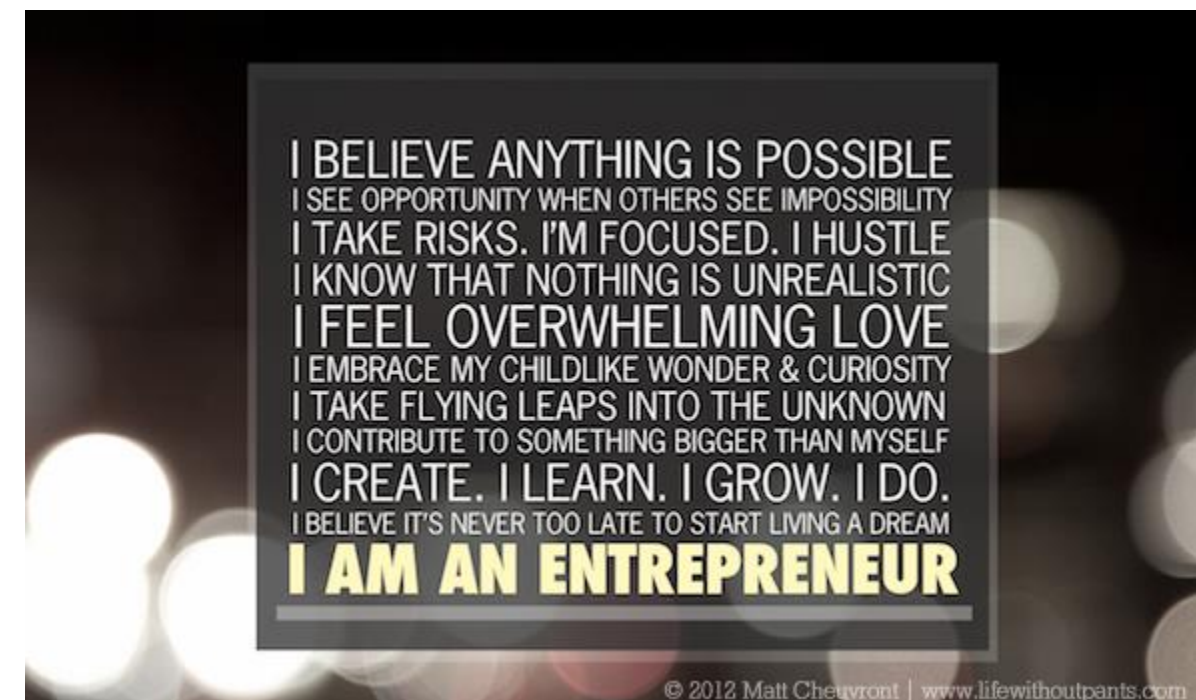
# Taxation of income of partnerships



- Revenues expenses on account of a share in a partnership are attributed to shareholders
- When profits are distributed among shareholders, no tax on dividends is collected

# Taxation of individual entrepreneurs

- Income taxed in accordance with a tax scale
- Small businesses may choose a lump sum
- Flat rate tax – attractive form of taxation





# Taxation of individual entrepreneurs

- Lump sum tax or advances towards personal income tax on a monthly or quarterly basis
- Tax year is always the calendar year



# Taxation of foreign branches and representative offices

## Foreign representative office

- Representative offices do not constitute the permanent establishment

## Branches of foreign persons

- Branches of foreign persons operating in Poland constitute a permanent establishment of a foreign entrepreneur
- Profits attributable to the operations of a permanent establishment are taxed in Poland

# VAT and excise tax

- Rates: 23%, 8%, 5%, 0%
- Input tax is refunded within 25, 60 or 180 days
- Declarations are filed on a monthly basis





# VAT and excise tax



- VAT on imports is accounted for by customs authorities
- Excise tax is collected by customs authorities
- Paid on manufacture of or trade in excise goods such as: energy products, energy, alcoholic beverages, tobacco, cars

# Tax on civil law transactions

- Execution of articles of association of a capital company, capital increase or additional contributions
- Execution of articles of association of a partnership and amendments thereto, including contribution increase, shareholder loan
- Loan agreement
- Mortgage
- Agreement for the sale of property rights, e.g. transfer of shares in a company
- Agreement for the sale of real estate, if its delivery is not charged with VAT or is exempt from VAT



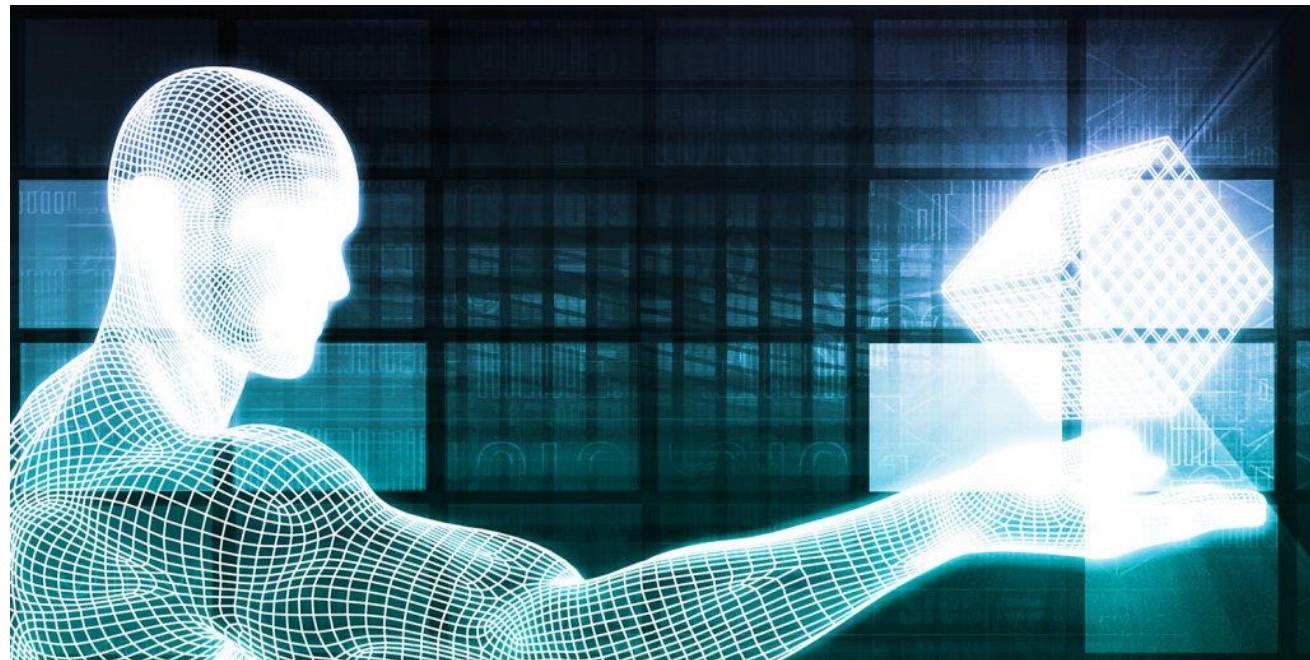
# Local taxes and charges

- Paid by entrepreneurs to budgets of local administration authorities
- Real estate tax is an annual tax paid in monthly instalments
- Paid on the area of land and usable area of buildings
- Rates are determined in a resolution adopted by the council of the local administration authority
- Vehicle tax is paid on trucks, semi-trailers, buses





# R & D tax incentives



- Additional deduction of eligible costs
- 100 percent for all categories of eligible costs
- 150 percent for taxpayers having the status of a R&D Center



# R & D tax incentives

The list of eligible costs include:

- salaries of employees in the part relating to R&D
- remuneration of individuals engaged in R&D activities under service or specific task contracts
- the purchase of specialized R&D equipment



# IP box



- Complements the existing tax preference
- 5% tax rate of qualified income from qualifying intellectual property rights
- Only to IP rights that have been created, developed, or improved with respect to the corresponding R&D

# Thank you for your attention



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