

Why Poland?

Poland is recognized as a low risk and high opportunity country with high domestic market and demand.

Highly skilled, educated labour force and strategic location – EU member being a bridge to East European markets.

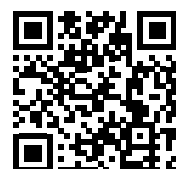
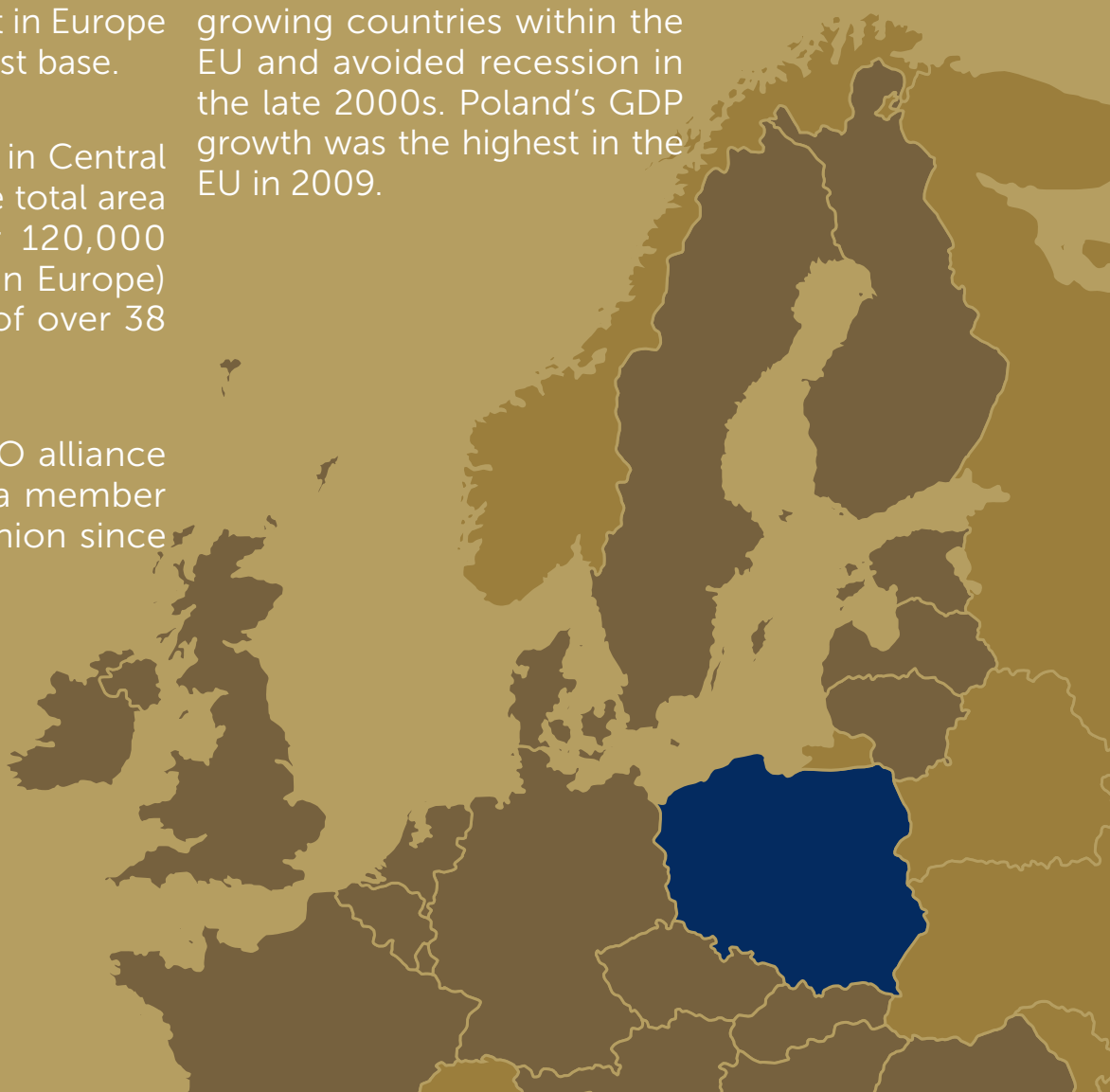
2004. Poland is a part of the Schengen Area and the EU single market. The Polish currency is Złoty (PLN).

Poland's economic growth rate is one of the highest in Europe with competitive cost base.

Poland is one of the fastest growing countries within the EU and avoided recession in the late 2000s. Poland's GDP growth was the highest in the EU in 2009.

Poland is a country in Central Eastern Europe. The total area of Poland is over 120,000 sq. mi (9th largest in Europe) with a population of over 38 million people.

Poland joined NATO alliance in 1999. Poland is a member of the European Union since

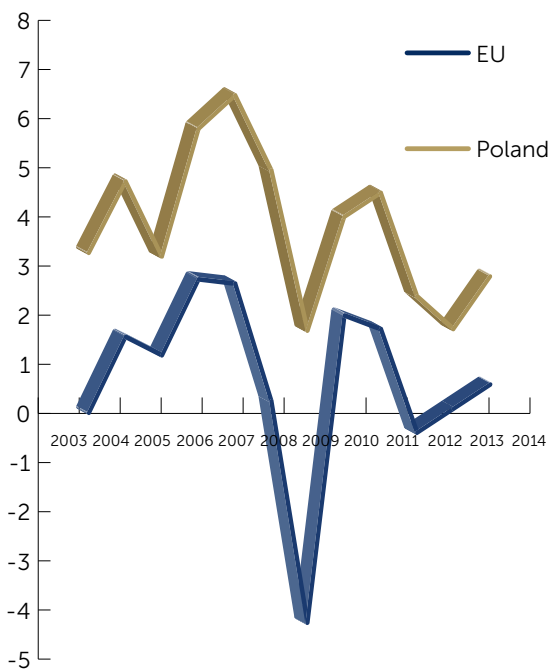


Forms of business operations and taxation

Entrepreneurs can conduct their business in the form of capital companies or partnerships. Many natural persons in Poland operate under their own name. The main constitutional principle is the freedom of business operations for everyone based on equal rights.

Gross Domestic Product

source: Eurostat



liability company may be natural persons or companies/partnerships. In order to establish a limited liability company, its founders must pay in the entire share capital. The shares may be taken up in exchange for cash or non-cash contributions.

1.2. Joint stock company

The principles of operation for a joint stock company (SA) are more complex than in the case of a limited liability company. The form of a joint stock company is required for special types of operations, e.g. for banks, insurance companies. The minimum capital of a joint stock company amounts to PLN 100,000. At least one-fourth of the nominal value of shares taken up in exchange for cash contributions should be paid up before the company is registered.

1.3. Taxation of limited liability company and joint stock company

As the Polish limited liability company and joint stock company are separate legal entities, they are taxed with Corporate Income Tax (CIT).

CIT is imposed on the total income from all sources (reduced by deductions) at the rate of 19%. When dividends are paid out to shareholders, in principle tax on dividends of 19% is collected. However, pursuant to international double tax treaties and European directives, often a lower tax rate or exemption is applied.

1. Capital companies

Capital companies in Poland are:

- limited liability company,
- joint stock company.

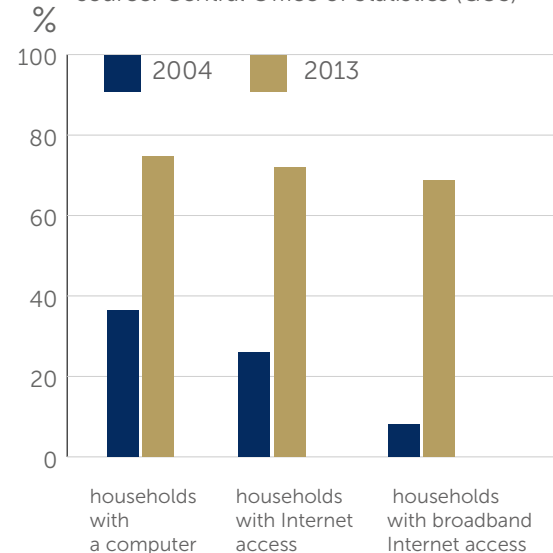
Capital companies acquire legal personality as of the date of their entry into the National Court Register. They may be established by natural or legal persons. Shareholders in capital companies are not liable personally for the obligations of the companies.

1.1. Limited liability company

The entity most often established by entrepreneurs is a limited liability company (sp. z o.o.). The minimum capital of a limited liability company amounts to PLN 5,000. The articles of association must be made in the form of a notarial deed. The shareholders in a limited

Computer and Internet Use

source: Central Office of Statistics (GUS)



2. Partnerships

Partnerships in Poland are:

- commercial partnerships the operations of which are regulated in the Code of Commercial Partnerships and Companies
- civil partnerships governed by the provisions of the Civil Code. A civil partnership is intended for conducting operations on small scale. It does not have a status of entrepreneur.

Commercial partnerships are as follows:

2.1. Registered partnership (sp. j.):

In this partnership all partners are liable for the obligations of the partnership jointly and severally. The articles of association must be made in writing, otherwise they are null and void.

2.2. Limited partnership (sp. k.):

In a limited partnership at least one partner is liable for the obligations of the partnership jointly and severally and without limitation, whereas limited partners are liable only up to the amount of the commendam sum.

2.3. Limited joint stock partnership (S.K.A.):

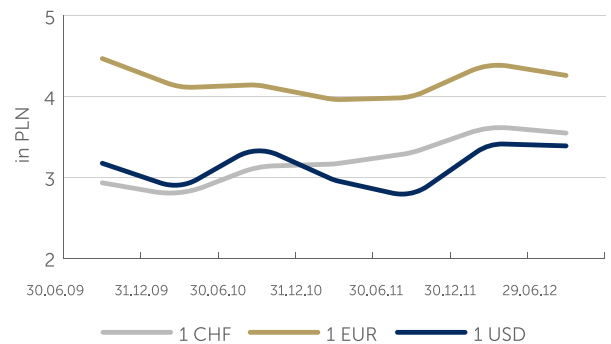
In a limited joint stock partnership only a general partner is liable for the obligations of the partnership jointly and severally and without limitation. Shareholders do not bear such liability. The minimum amount of the share capital in the limited joint stock partnership amounts to PLN 50,000

2.4. Professional partnership (sp.p.)

is created by partners in order to pursue professions defined in Article 88 of the Code of Commercial Partnerships and Companies, e.g. attorney at law, certified auditor, tax advisor. Individual partners are not

Currency - average exchange rates

source: National Bank of Poland



liable for obligations of the partnership arising from the activities of other partners.

2.5. Taxation of partnerships:

Income of registered partnership, limited partnership and professional partnership is taxed only once at partner level. Partnerships themselves are not taxpayers liable to income tax. Income from a share in a partnership is treated as income from business operations of individual partners. A shareholder who is a legal person pays a 19% corporate income tax. A shareholder who is a natural person pays a tax in accordance with a tax scale (18% and 32%), but he may also chose a 19% flat rate tax.

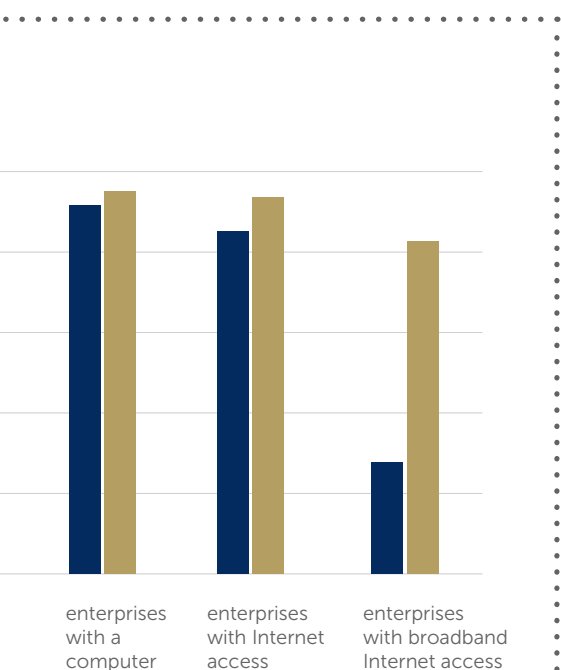
The exception is a limited joint stock partnership - it is liable to pay corporate income tax. When dividends are paid out to shareholders, in principle tax on dividends of 19% is collected. However, pursuant to specific legal regulations often a lower tax rate or exemption is applied.

3. Branches and representative offices of foreign entities

Foreign entrepreneurs may operate in Poland through a branch. However, entrepreneurs from outside the European Economic Area may establish branches in Poland on a reciprocity basis. A foreign entrepreneur establishing a branch may perform business operations only within the scope of operations of such foreign entrepreneur. Branches of foreign entities are entered into the register of entrepreneurs. The law requires the foreign entrepreneur to appoint his representative in Poland. Foreign entrepreneurs may establish representative offices having seats in the territory of the Republic of Poland.

4. Business operations of natural persons

Natural persons (individuals) register their business operations in the Central Records and Information of Business Operations. The entry of a natural person in the above register covers also the registration for the purpose of taxes as well as social and health insurance.



Other taxes and charges paid by entrepreneurs

The Polish tax system is not very complicated, especially when we compare it with systems existing in certain West European countries.

The most common taxes, apart from income taxes, are goods and services tax (VAT), excise tax, tax on civil law transactions. In addition, local taxes and charges are paid, e.g. real estate tax, vehicle tax, stamp duty on certain activities in governmental offices, tonnage tax, agricultural and forest tax.

1. VAT and excise tax

VAT is called in Poland goods and services tax. The basic rate is 23%. The reduced rate is 8% and is applied e.g. in construction covered by social housing programmes, in transport of passengers. Also special tax rates are used, e.g. 0% in the case of export, international transport, 5% for certain food products. The input tax is returned within 60 days from filing a tax declaration or within 180 days if the taxable person did not disclose any taxable turnover in a settlement period concerned. VAT declarations are filed on a monthly basis.

Excise tax is collected by customs authorities. The tax is harmonized with Community regulations and is paid on manufacture of or trade in excise goods such as: energy products, energy, alcoholic beverages, tobacco, cars.

2. Tax on civil law transactions

In principle, the tax is collected on transactions (agreements) on which no VAT is charged.

So entrepreneurs have to pay that tax for example in the following situations:

- execution of articles of association of a capital company, capital increase or additional contributions: 0.5% on the amount of the share capital, its increase or additional contribution;
- execution of articles of association of a partnership and amendments thereto, including contribution increase, shareholder loan: 0.5% on the market value of the contribution;

- loan agreement: 2%, however, no tax is due on loans from financial institutions and loans concluded abroad;
- mortgage: 0.1% of the secured receivable or PLN 19 in the case of a capped mortgage (when its amount is not determined);
- agreement for the sale of property rights, e.g. transfer of shares in a company: 1% of their market value;
- agreement for the sale of real estate, if its delivery is not charged with VAT or is exempt from VAT: 2% of its market value.

The legislator envisaged many exemptions and exceptions from that tax. E.g. no tax on civil law transactions is paid on a shareholder loan granted to a capital company.

3. Local taxes and charges

Taxes paid by entrepreneurs to budgets of local administration authorities (gminy) are first of all:

- real estate tax,
- vehicle tax.

Real estate tax is paid by owners of real estate, owner-like possessors of real estate, perpetual usufructors of land, possessors of certain real estate owned by the State Treasury. Real estate tax is an annual tax. Entrepreneurs pay the tax in monthly instalments during the tax year. Real estate tax is paid on the area of land and usable area of buildings.

Vehicle tax is paid on trucks, semitrailers, buses. The rates are determined by the council of the local administration authority and the law sets forth the maximum rates.

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