Doing business in Poland

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A guide to doing business in Poland

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Ernst & Young

Preface

The aim of this publication is to familiarise potential investors with the basics of the Polish business environment, and to facilitate informed decision-making by providing pertinent information. Consequently, it is hoped that investors will be better placed to assess investment opportunities and weigh up potential benefits against potential risks.
Each of the eight chapters in Doing Business in Poland offers an authoritative summary of one key area of the business environment.

These areas are: general business climate and investment incentives, company law, real estate, taxation, employment regulations, competition law, capital markets, accounting and auditing. The present publication is intended as a guide for investors with limited knowledge of the Polish economy. While the information it contains was to the best of our knowledge correct at the time of writing, the rapid pace of change in Poland means that laws and regulations are unlikely to remain static. We would therefore urge readers to treat this publication as a general overview and to seek specific advice before any investment decisions are made. Doing Business in Poland is written by professionals from Ernst & Young in co-operation with professionals from Domański Zakrzewski Palinka in legal matters. The authors are all leading specialists in their field, with a proven track-record in providing expert advice to domestic and foreign clients about all aspects of the Polish economy.

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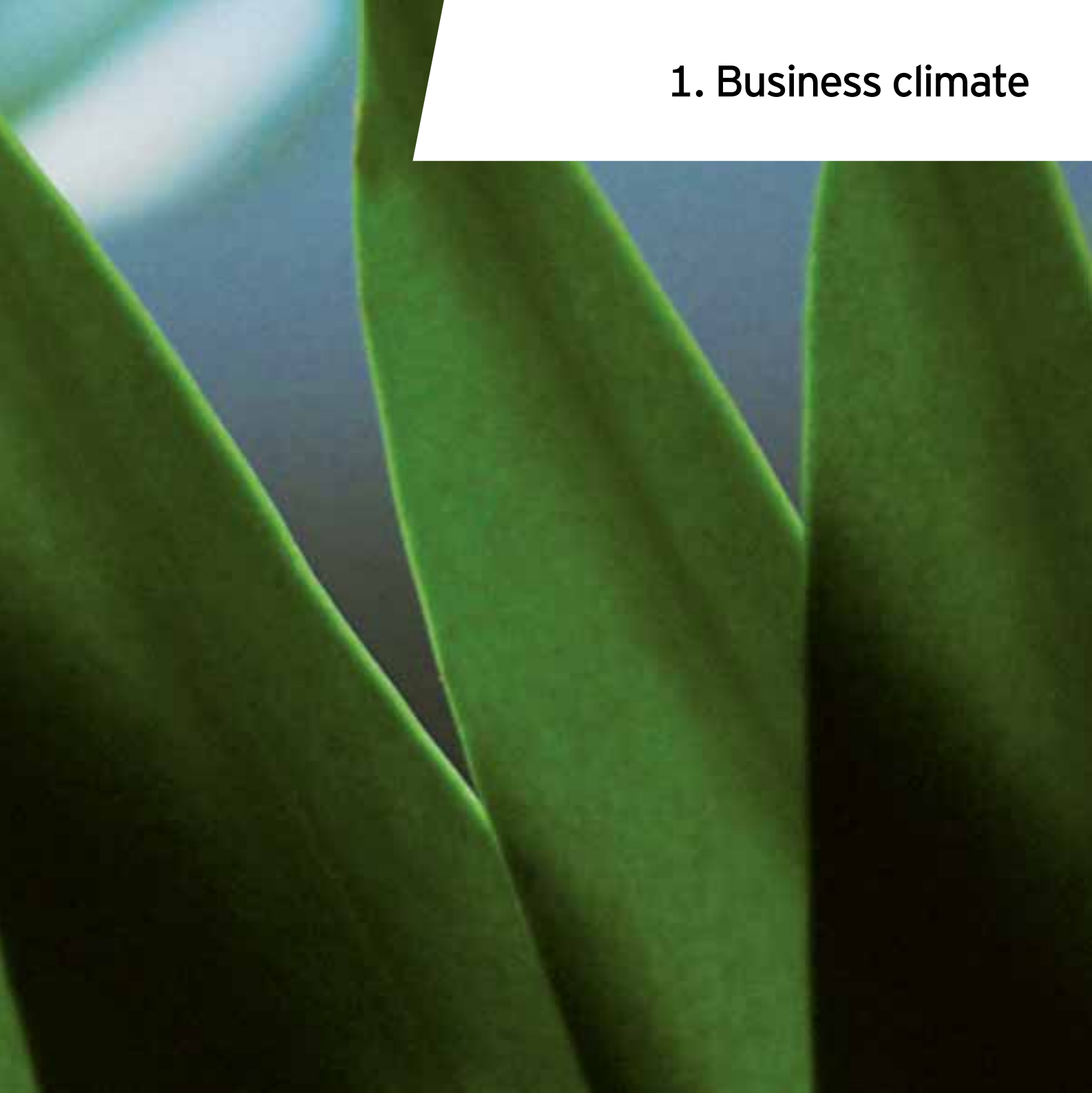
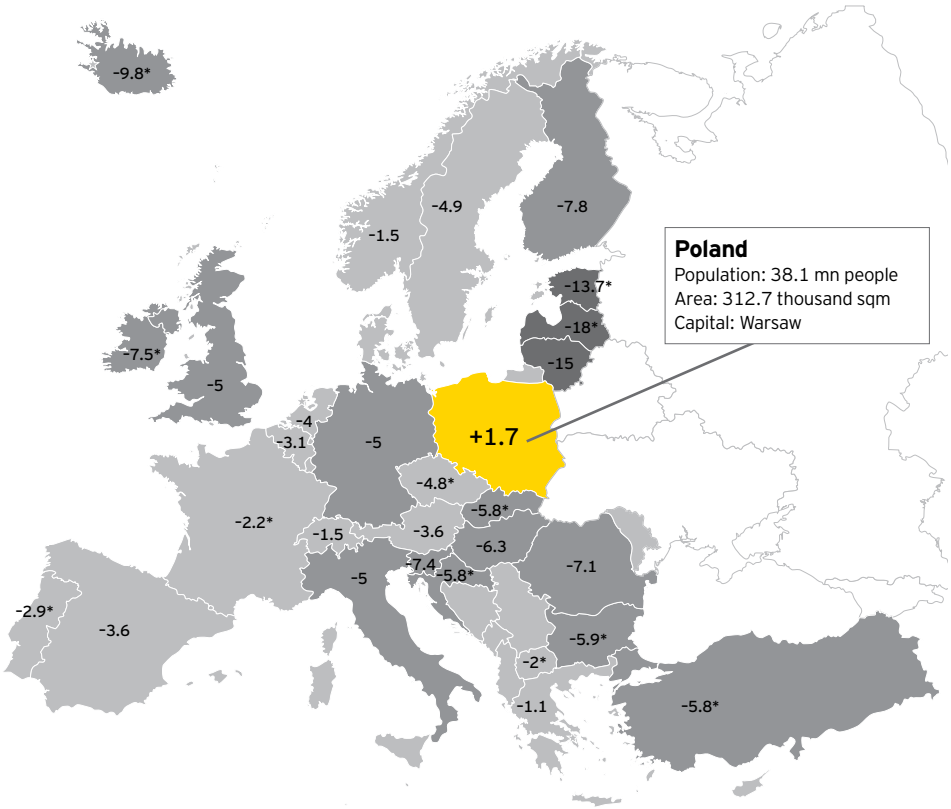


1.1. Market Overview and Key Drivers

Since the collapse of communism in 1989, Poland has made dramatic progress, moving from a centrally planned to a market-oriented economy. Trade liberalisation, economic restructuring, privatisation, capital inflows, and the gradual adaptation of legal and administrative standards to market-oriented practices have improved economic structures dramatically. In the mid-to late-1990s the Polish economy grew rapidly. After a slowdown, due mainly to the situation in the global economy, Poland has regained the pace of growth that it achieved in the second half of the 1990s.

On 1 May 2004, Poland joined the European Union and thus became a member of the vast European single market where goods, services, capital and labour move as freely as within one country. Accession to the EU crowned years of preparation and reform. It can now be seen that Poland has a very stable economy and offers investors an attractive business environment. A fact to be remembered is that during the recent global economic downturn Poland has been the only country in Europe to show growth in GDP.

GDP growth rate – percentage change on previous year



** forecast*

Source: Eurostat

1.2. Foreign direct investment

There are several reasons for Poland's outstanding performance in the current difficult times, e.g.:

- it remains an attractive location for new investments, both in the production and services sectors (free access to the Common Market of approx. 500 million customers, a domestic market of approx. 40 million customers, labour costs still lower than in Western European countries, and highly skilled workforce)
- the Polish authorities have been following a prudent macroeconomic policy to ensure a stable economy; also the Polish banking sector has proven to be stable
- EU membership guaranteed an inflow of significant additional funds (approx. € 67bn for 2007-2013) encouraging many new investments in both public and private sectors.

Given the above, and also considering the fact that Poland is the co-organiser of EURO 2012, it is no wonder that our country is continuing to attract Foreign Direct Investments, despite the global economic crisis. According to initial estimates, the inflow of FDI in 2009 was worth approx. € 8.4mn (approx. 84% of FDI in 2008). The top 10 investing countries are listed below.

FDI in Poland by country	
1.	Germany
2.	The Netherlands
3.	Luxembourg
4.	Sweden
5.	France
6.	Cyprus
7.	Austria
8.	Iceland
9.	USA
10.	United Kingdom

Source: Polish Information and Foreign Investment Agency (Polska Agencja Informacji i Inwestycji Zagranicznych), www.paiz.gov.pl

In recent years, Poland has become one of Europe's favourite locations for BPO/SSC and R&D centres. The main reasons behind investors' decisions to locate their outsourcing/offshoring business in Poland are:

- young, highly qualified workforce with extensive knowledge of foreign languages (thanks to the considerable number of academic institutions throughout the country)
- system of incentives (both domestic and from EU sources) to encourage investments of this type
- welcoming approach of the Polish authorities towards investors considering developing their BPO/SSC in Poland.

Some of the investors in SSC/BPO and R&D centres in Poland are shown on the map below.

Selected SSC/BPO and R&D centres in Poland

Source: Polish Information and Foreign Investment Agency

- **Bydgoszcz:**
  JP MorganChase, Lucent Technologies, Atos Origin
- **Katowice:**
  Capgemini, Kroll, Bombardier, Rockwell Autom.
- **Kraków:**
  Ahold, Bayer, Capgemini, ComArch, Electrolux, Fortis Bank, Google, Hitachi, HSBC, IBM, Indesit, International Paper, Lufthansa, Philip Morris, RR, Donneley, Shell, Tesco, ABB, Delphi, Motorola, UBS, Pliva, Sabre
- **Lublin:**
  Genpact, Intelligo, Telekomunikacja Polska SA, France Telecom
- **Łódź:**
  ABB, Accenture, Central Wings, Citi Group, Fujitsu, GE, IBM, Bosch-Siemens, Microsoft, Indesit, Infosys, SAP
- **Poznań:**
  Carlsberg, Franklin Tempelton, GlaxoSmithKline, Intelligence, Lorenz, MAN, Microsoft Innovation, Open Text, Roche, Unilever
- **Szczecin:**
  UniCredit
- **Tri-City:**
  IBM, Lufthansa, First Data Corporation
- **Warszawa:**
  ABN Amro, Accenture, AVON, Citi Group, 3M, Faurecia, GE, Microsoft, Oracle, Samsung Electronics, Hewlett-Packard, IBM, SAP, Tchibo
- **Wrocław:**
  ACP, Credit Suisse, Google, Hewlett Packard, QAD, UPS, Volvo, Alstom, Capgemini, Irvena, Nokia-Siemens, Opera Software, Siemens, Wabco, Whirlpool

1.3. Investment incentives in Poland

There are many opportunities for companies to obtain financial support for projects in Poland from both European Union Funds and domestic sources. In this publication we focus on the most popular of the aid schemes available for companies but it is worth noting that there are many more that can be utilised. Therefore, when considering a new investment in Poland, it is important for each case to be analysed individually – various sources and types of support may be available, depending on the scope of the project.

Regardless of the form of support, the incentive system as a whole complies with EU requirements and includes:

- regional aid
- horizontal aid
- sectoral aid.

General provisions on the admissibility of state aid are set out in the Treaty on European Union[1], the relevant European Commission regulations, e.g. Commission Regulation (EC) 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation)[2] and the Act of 30 April 2004 on Proceedings in State Aid Cases[3].

Regional aid for new investments

Regional aid is the most popular type of aid for companies carrying out investment projects in Poland. It is granted for "initial" or "new" investments, which are generally defined as investments related to:

- setting up a new enterprise
- extending an existing enterprise
- diversifying output into new, additional products
- a fundamental change in the overall production process of an existing enterprise.

How do I calculate the maximum level of support available for my investment in Poland?

The maximum level of aid a project can receive depends on the size of the company[4] and where in Poland the project is to be located, and is calculated as a percentage of the higher amount of:

- eligible investment costs, and
- two-year employment costs of newly created jobs.

Levels of aid intensity, i.e. the maximum levels of aid a project can receive based on investment or employment-related costs, are as follows (see also map below for reference):

- 30% of eligible costs – Warsaw (the city), mazowieckie voivodship from 1 January 2011
- 40% of eligible costs – mazowieckie voivodship until 31 December 2010, pomorskie, zachodniopomorskie, dolnośląskie, wielkopolskie, śląskie voivodships
- 50% of eligible costs – the rest of the country, i.e. warmińsko-mazurskie, podlaskie, kujawsko-pomorskie, lubuskie, łódzkie, lubelskie, świętokrzyskie, podkarpackie, małopolskie, opolskie voivodships.

[1] Consolidated version: Official Journal C 83/13, 30.03.2010.
[2] Official Journal L 214/3, 09.08.2008.
[3] Journal of Laws of 2007, no. 59, item 404, unified text, as amended.
[4] Basic aid intensity levels are increased by 20 percentage points in the case of small enterprises and by 10 percentage points in case of medium-sized enterprises.

Map of regional aid intensities in Poland, 2007-2013:

Aid intensity[5]:

30%
a) Warszawa
b) Voivodship: mazowieckie – since 01.01.2011

40%
a) Voivodship: mazowieckie – until 31.12.2010
b) Voivodships: pomorskie, śląskie dolnośląskie, zachodniopomorskie, wielkopolskie

50%
Voivodships:
lubelskie, lubuskie, łódzkie, podlaskie, podkarpackie, warmińsko-mazurskie, świętokrzyskie, opolskie, małopolskie, kujawsko-pomorskie

[5] Additional 20 p.p. for small and 10 p.p. for medium-sized enterprises

Please note that there are specific rules for calculating levels of aid for so-called "large investment projects".

Large investment projects are defined as projects exceeding the expenditure level of € 50mn. The adjusted "aid ceiling", i.e. maximum amount of aid a large investment project can receive, is calculated as follows:

Development of a large investment project gives rise to additional obligations. When the aid to be granted exceeds certain levels (see the table below), it has to be individually notified to the European Commission. In other words, there are cases when the European Commission has to additionally approve the support a large project is to receive.

Maximum aid amount for a large project = R × (50 + 0.50 × B + 0.34 × C)

where:

- R is the unadjusted regional aid intensity ceiling for a given location (e.g. 50% in lubelskie voivodship for a large project)
- B is eligible expenditure between € 50mn and € 100mn
- C is eligible expenditure above € 100mn

Please refer to the example below to see how the formula is applied in practice.

Example:

Assumptions:
a) project located in an area with 50% regional aid intensity
b) investment expenditures of €170mn

Maximum aid amount = 50% × [€50mn + 0.50 × (€100mn – €50mn) + 0.34 × (€170mn – €100mn)] = €49.4mn

Maximum aid amount of €49.4mn is 29% of eligible expenditures – instead of the 50% normally allowed in that region of Poland. The level of support for the large investment project is therefore lower than that resulting from the maximum aid intensity level.

The maximum aid amount for the investment can be utilised in different forms (find below more information on combining aid from different sources). However, total support from various instruments would be € 49.4mn in the example above and could not exceed this level.

The aid levels which – if exceeded – give rise to the notification obligation are as follows:

Aid intensity in the region	Notification threshold (level of aid)
30%	€22.5mn
40%	€30mn
50%	€37.5mn

Am I a large enterprise or an SME?

As shown above, the level of aid an investor can receive depends directly on its size. It is therefore crucial to assess whether the investor meets the definition of a small or medium-sized enterprise (SME). If not, it will constitute a large enterprise.

Please see the following chart for a definition of SME:

Enterprise category	Level of employment (Annual Work Unit)	Annual turnover	OR	Annual balance sheet total
Medium-sized	< 250	≤ € 50mn	OR	≤ € 43mn
Small	< 50	≤ € 10mn	OR	≤ € 10mn
Micro	< 10	≤ € 2mn	OR	≤ € 2mn

However, it is important to note that even if a company itself fulfils the definition of an SME, it can in fact be a large company due to its shareholding structure. Therefore, apart from the general definition, one also has to learn what "linked" and "partner" enterprises are and what are the consequences of being one.

A company is a "linked enterprise" when it holds more than 50% of the capital or voting rights in another enterprise or another enterprise holds more than 50% of the capital or voting rights in the company. In the case of linked enterprises the size of the company in question is calculated by adding together the data (shown in the table on the left) of the company and that of the linked enterprises.

A company is a "partner enterprise" when it holds independently or with other linked enterprises 25-50% of the capital or voting rights in another enterprise or another enterprise holds 25-50% of the capital or voting rights in the company. If this is the case, the size of the company in question is calculated by adding together the data (shown in the table on the left) of the company and that of the partner companies situated immediately upstream or downstream from it. Aggregation is proportional to the

percentage interest in the capital or voting rights (whichever is greater).

When to start the investment so as not to lose aid opportunities?

When discussing regional aid, it is important to mention the "investment start" issue. As a rule, an investment can only start after the application for support has been filed with the relevant institution. Additionally, large enterprises are obliged to demonstrate the "incentive effect" of the aid applied for by providing an analysis (in the grant application) showing that the aid will lead to a material increase in the size, scope or value of the project or showing how it will accelerate project completion.

Due to the "investment start" rule, the following steps cannot be taken before the application has been filed and, in the case of large enterprises, the incentive effect demonstrated:

- construction work
- commitment to order machinery or equipment (i.e. conclusion of a contract, placing an order)
- making payments, including prepayments.

Investors are, however, free to perform feasibility studies or prepare any technical documentation needed for the project; these steps do not constitute investment start and can therefore be taken at any time.

What types of cost are eligible for aid?

As mentioned above, aid available for a given project is calculated on the basis of either investment costs or employment costs. Companies applying for aid choose the higher of the two amounts as the basis for calculating the aid pool.

If the aid pool is based on investment costs, expenses eligible for aid may include:

- expenditure on land, buildings and plant/machinery
- technology transfer costs (purchase of patent rights, licences, know-how or unpatented technical knowledge[6])
- costs of financial lease of assets other than land and buildings, provided that the assets are purchased on expiry of the lease term
- costs of leasing land and buildings if the lease continues for at least 5 years[7] after the investment is finished.

If a large enterprise applies for aid, the assets it buys must be new. This does not apply to SMEs and takeovers.

If the aid pool is based on employment costs, expenses eligible for aid are two-year employment costs of new employees (costs related to job creation resulting from the new investment). The two-year employment costs cover:

- gross wages, and
- all obligatory employment-related payments (e.g. social security contributions) made by the company.

Please note that new jobs are defined as a net increase in the number of employees directly employed in a company compared with the average level of employment over the previous 12 months.

Can different types of aid received from different sources be combined?

Regional aid available in Poland can be granted in different forms, such as:

- cash grants (support from EU funds)
- cash grants under Multi-Annual Support Programmes (support from domestic budget)
- CIT exemption in so-called special economic zones (SEZ).

[6] Intangible assets must be purchased from third parties on market conditions and meet several other criteria. Please note that for large enterprises such costs are eligible only up to 50% of the total eligible investment expenditure for the project.
[7] 3 years in the case of SMEs.

Different types of regional aid can be combined together. The only limitation is the aid intensity level set for the region where the investment is located. If an investor receives regional aid of different types for the same investment, the total amount of aid cannot exceed 30-50% of the value of the investment[8]. For example, if a company secures CIT exemption and is also awarded a cash grant for the same investment, the amount of tax credit will be reduced by the value of the grant, so that the total value of aid does not exceed the allowed aid intensity threshold.

NB: This rule applies only to aid granted for a single investment. It is not forbidden to receive new aid for other investments in Poland. Each new investment will be eligible for a new aid pool of up to 30%-50% of its value.

What are the most important obligations when the aid is granted?

Companies which receive public funding in the form of cash grants (from EU or domestic resources) sign financial covenants with appropriate public institutions. These agreements lay down the rights and obligations of the aid beneficiaries. In the case of CIT exemption in SEZs, the most important obligations are set out in the permit to operate in the SEZ.

One of the most important requirements is to maintain the investment and its results (such as new jobs, assets bought, environment-friendly solutions introduced) in the region for a minimum of 5 years[9] after the investment is finished.

We now move on to explain the basic rules on applying for and receiving various types of regional aid in Poland.

Cash grants from EU funds

EU member states are currently realising the 2007-2013 financial perspective, i.e. the seven-year framework for EU spending. Over this period Poland is to receive the largest share of aid from EU support funds of all EU members. In particular, € 67.3bn has been allocated for various operational programmes to be distributed among defined beneficiaries, particularly companies.

Operational programmes set out the general terms and conditions for projects for which aid will be granted. In the case of companies registered in Poland aid can be given to support, e.g.:

- innovative new investments, which use new technologies
- shared service centres, IT centres, and R&D centres
- production of energy from renewable sources.

How are cash grants from EU funds accessed?

In order to be eligible for a cash grant from EU funds, applications have to be made within calls for proposals. Depending on the support scheme, calls are organised in the form of either closed or open calls. Closed calls for proposals have a fixed closing date, e.g. 30 days from opening. In open calls for proposals the closing date depends on fulfilment of the condition that, e.g. 120% or 150% of the budget allocation for the given year has been exceeded (i.e. applicants who have filed applications have requested subsidies which total, e.g. 120% of the call budget).

When applications are submitted they are thoroughly evaluated in accordance with specified criteria. The assessment process

[8] 50-70% for SMEs.
[9] 3 years for SMEs.

takes approx. 3-4 months and covers a formal and content evaluation. In the content evaluation the application has to be awarded a minimum number of marks (e.g. 60 out of 100) to secure the right to the grant. However, in the most popular aid schemes the minimum number of points can be insufficient to actually receive the grant, due to the limited budget; if this is the case, cash grants go to applicants with the highest scores.

Example: What should I do to receive a cash grant for an innovative investment?

There is a special aid scheme available for investments using innovative technologies. This aid scheme supports projects of high innovative potential which generate significant added value for the economy (projects which promote innovation in the form of new technologies, products and services, which contribute to higher productivity and exports, and which introduce major organisational changes in companies). It is designed to support investments with high innovation potential in the production sector which are likely to incur high investments costs and lead to the creation of a significant number of new jobs.

In order to apply for a grant, investments must fulfil the following entry criteria:

- investment costs of at least PLN 160mn and creation of at least 150 new jobs, and
- uses a technology which has been used worldwide for less than 3 years or whose dissemination within the relevant industry does not exceed 15%.

Despite the fact that this aid type falls under the definition of regional aid, there is a maximum limit of 30% of costs eligible for aid that can be received in the form of a cash grant. Thus it is important for the investor to be aware that it is entitled to apply for other types of aid for the same investment, up to the limit of regional aid intensity allowed in a given investment location.

This type of support is granted on the basis of open calls (until 100% of the budget allocation has been applied for).

Example: What should I do to obtain a cash grant for shared service centres?

There is a separate aid scheme designed to support projects involving the development of shared service centres/ BPOs, IT centres, and R&D centres. In order to apply for a grant the SSC and IT centres have to declare that they will create at least 100 new jobs. There are no limits on the value of the investment. In the case of R&D centres, at least 10 jobs have to be created and a minimum of PLN 2mn invested.

The maximum value of aid which can be granted for SSC or IT investment projects is 30%. In the case of R&D centres the maximum level of aid is calculated according to the map of regional aid intensities.

This type of support is granted on the basis of open calls (until 150% of the budget allocation has been applied for).

Corporate income tax exemption in SEZ

Companies investing in Poland are also encouraged to use another type of incentive, i.e. corporate income tax (CIT) exemption in a SEZ. SEZs were created in the 90s and cover selected parts of Poland where companies can operate on preferential terms and conditions. This type of support is also a type of regional aid and is available based on a SEZ permit until the given SEZ ceases existence – which at present is set for 31 December 2020 for all 14 SEZs.

There are 14 headquarters, one for each of the SEZs (see map), while each SEZ consists of several sub-zones located in different places, not necessarily adjacent to each other. The overall area of all zones is over 13,000 ha, but the area may be extended up to 20,000 ha.

How do I calculate the maximum aid available in the form of CIT exemption in SEZs?

The amount of support available in SEZs is calculated in the same way as other types of regional aid, i.e. according to the map of regional aid intensities. However, in this aid scheme there are no cash payments (as with EU grants) – the benefit is CIT exemption. We explain below how the CIT exemption limit is determined.

The support is granted for a new investment. Therefore, the maximum aid available is calculated according to the map of regional aid intensities (and based on investment or employment costs). Afterwards, this aid "pool" is utilised as CIT exemption in relation to income generated on business activities carried out by an investor in the SEZ and listed in the SEZ permit. The investor can utilise the aid pool until the end of the given SEZ's existence.

Headquarters of SEZs in Poland

What is a SEZ permit?

To benefit from CIT exemption the investor must obtain a permit to operate in a SEZ. The permit specifies the conditions which the investor must meet, e.g. the value of the planned investment, the intended level of employment, business start-up date and deadlines by which all the obligations set out in the permit must be met.

The SEZ permit also specifies (by reference to Polish statistical classifications) the activities to be performed in the SEZ which qualify for CIT exemption. Revenues from activities not explicitly mentioned in the SEZ permit are taxable on standard rules.

According to regional aid rules, the investment activities can be started only after the SEZ permit is issued. Moreover, only investment costs borne (invoices paid) and new jobs created after the SEZ permit is issued may be applied to compute the tax exemption.

How can I locate my investment in a SEZ?

Investors can locate their investments (business activity) in an already existing SEZ or they can apply for a SEZ extension to cover private land where the planned investment is to be located. In the latter case, the investor has to fulfil specific criteria. The SEZ extension process takes at least 6 months as it requires an amendment to the Council of Ministers Resolution.

How do I apply?

There are no calls for proposals in SEZs. Companies can submit an application at any time during the year. In a formal negotiating procedure, a decision is taken to extend the SEZ and/or issue a SEZ permit.

Multi-Annual Support Programme

A Multi-Annual Support Programme (MASP) is an aid scheme (a type of regional aid) financed from the Polish budget and is dedicated to supporting large investments which are considered vital to the Polish economy.

In particular, under MASPs support may be granted to:

- projects in so-called "priority sectors": automotive, electronics, aviation, biotechnology, new services (particularly IT centres, BPOs and telecommunications), and R&D
- "significant" investments in other sectors with eligible costs of at least PLN 1bn and creating at least 500 new jobs.

Although MASP constitutes regional aid, additional aid ceilings were introduced. As a result, maximum aid levels are as follows:

- investment performed in a SEZ – 15% of eligible costs
- investment performed outside a SEZ – 30% of eligible costs.

Support may be based on two-year employment costs of new staff hired or eligible investment costs. Depending on the type of eligible costs there are different entry criteria for projects.

What are the entry criteria?

A. Support based on two-year employment costs of newly created jobs

Support can be granted to entrepreneurs meeting the following entry criteria:

- for "priority" production sectors: incurring investment costs of at least PLN 40mn and creating at least 250 new jobs
- for modern services sector: creating at least 250 new jobs
- for R&D sector: incurring investment costs of at least PLN 3mn and creating at least 35 new jobs (for employees with university degrees)
- for other sectors: incurring investment costs of at least PLN 1bn and creating at least 500 new jobs.

The level of support based on newly created jobs ranges from PLN 3,200 to PLN 18,700 per job, depending on a specific set of criteria.

In the case of investments in:

- counties with an unemployment rate of at least 200% of the country average (Central Statistics Office data in the month before the application is submitted to PAIiIZ)
- voivodships: warmińsko-mazurskie, podlaskie, świętokrzyskie, lubelskie, podkarpackie

the level of support may be increased by 8%.

B. Support based on eligible investment costs

Support can be granted to entrepreneurs fulfilling the following entry criteria:

- for "priority" sectors: incurring investment costs of at least PLN 160mn and creating at least 50 new jobs
- for other sectors: incurring investment costs of at least PLN 1bn and creating at least 500 new jobs.

The level of support based on eligible investment costs is up to 10% depending on a specific set of criteria.

Having fulfilled the entry criteria, projects are evaluated against additional detailed criteria, including:

- processes performed by the company (services provided to other parties)
- human capital (% of employees with a university degree)
- investment location
- other (e.g. cooperation with universities, the company's reputation, unique operations performed).

How do I apply?

There are no calls for proposals. Companies can submit applications at any time during the year.

Other types of support

As already mentioned, there are many other sources of support available in Poland. Please find below some examples.

CIT and other incentives (not state aid)

The following R&D incentives are also available under Polish tax law:

- entrepreneurs investing in R&D are allowed to deduct from the tax base up to 50% of costs actually incurred in purchasing new technology[10] in a given year (entities operating in SEZs are not eligible). A new technology is defined as technical knowledge in the form of intangible assets (in particular the results of R&D work) enabling production of new or modernised goods/services that has been applied globally for less than 5 years (this must be confirmed by an independent scientific body)
- costs of finished R&D work can be deducted from the tax base regardless

[10] The purchase of a new technology is defined as acquiring the rights to technology by way of an agreement on transfer or right to use.

of the result (unless they can be classified as an intangible asset and depreciated)
- 12-month depreciation period for finished R&D work (shortened from 36 months)
- 22% VAT on R&D services.

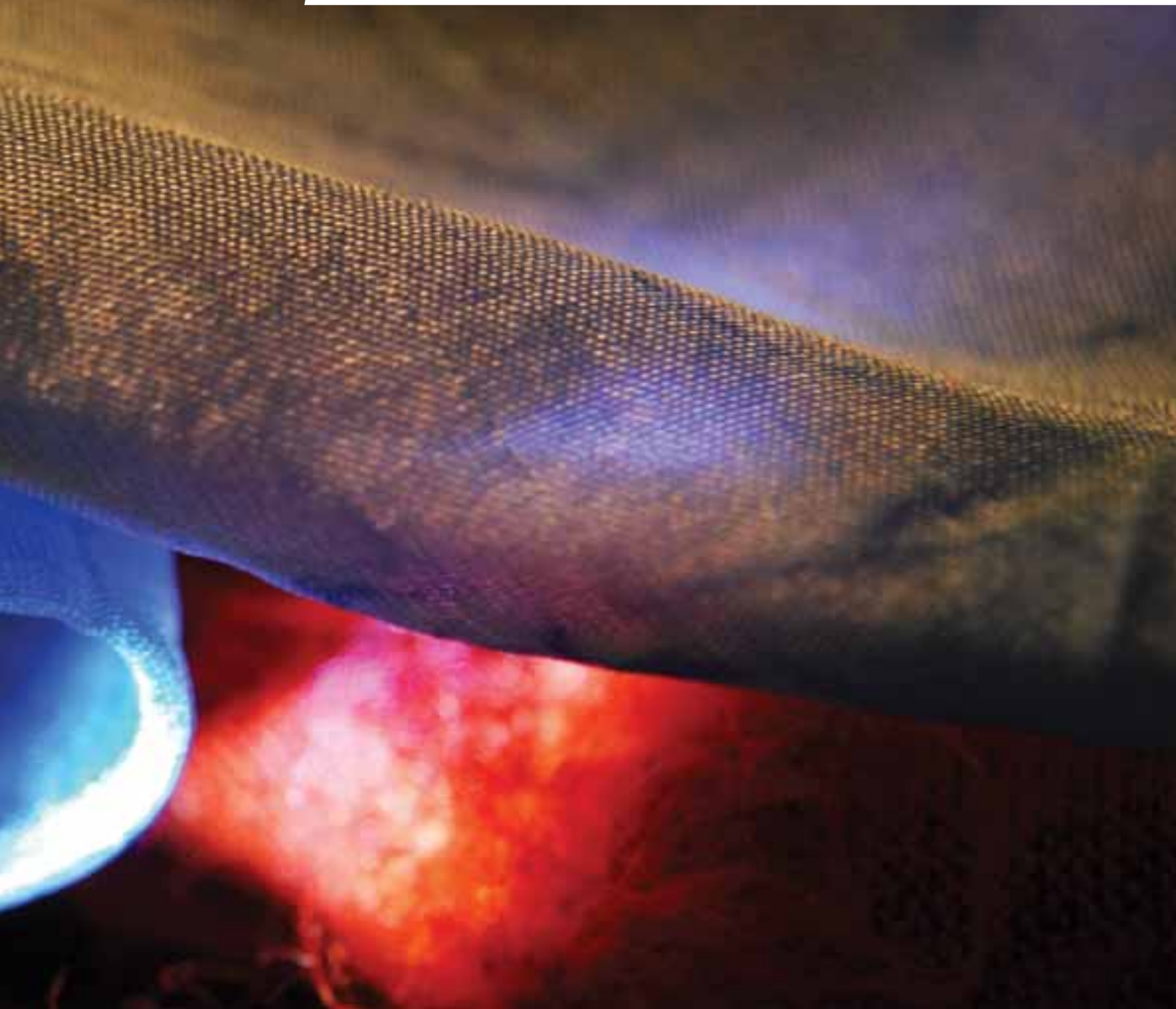
Support for training

There are aid schemes designed to help employees and entrepreneurs raise their qualifications and adjust their skills to market requirements. Maximum support levels are shown in the table below.

Please note that "general training" involves tuition which is not applicable only or principally to the employee's present or future position in the company, but which provides qualifications which are largely transferable to other companies or fields of work and thereby substantially improve the employability of the employee. "Specific training" in turn involves tuition directly and principally applicable to the employee's present or future position in the company and provides qualifications which are not or only to a limited extent transferable to other companies or fields of work.

General training	small enterprises – up to 80% medium enterprises – up to 70% large enterprises – up to 60% of eligible expenses
Specific training	small enterprises – up to 45% medium enterprises – up to 35% large enterprises – up to 25% of eligible expenses

2. Establishing a business presence



2.1. Overview

The legal concept of "doing business" is best described in Polish law in the Act on Freedom of Economic Activity (2004), which defines economic activity as "manufacturing, construction, trading, provision of services, the search for, identification and extraction of natural resources, as well as professional activity pursued for the purpose of gaining profit and conducted in an organised and continuous manner". The Act also states that undertaking and pursuing economic activity shall be free and allowed to everyone on equal terms subject to conditions specified in the law.

This definition of "doing business" also applies to foreign investors undertaking economic activity in Poland. However, there are differences between investors from EU and EFTA member countries and those from other countries.

Investors from EU and EFTA member countries or from countries, which have entered into specific international agreements with the EU may conduct economic activity on the same terms as Polish citizens.

Other investors may conduct economic activity on the same terms as Polish citizens only if they hold specific permits, e.g. that legalise their stay in Poland and allow them to conduct commercial activity. Such investors may conduct economic activity by:

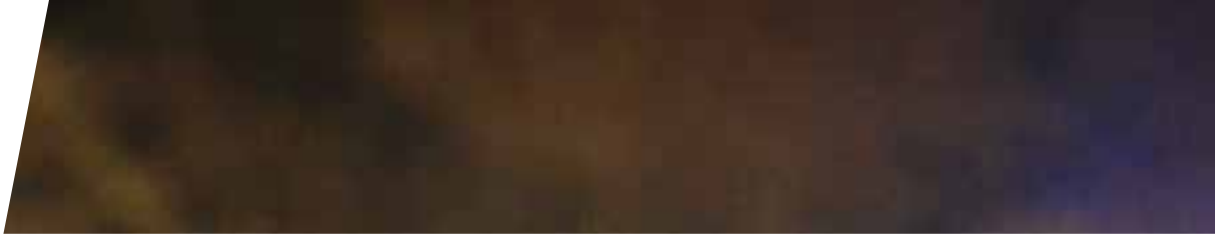
- establishing limited partnerships, limited joint-stock partnerships, limited liability companies and joint-stock companies
- purchasing and acquiring shares in such companies.

The main legal forms available for doing business in Poland are listed below. All these forms are available to Polish investors and foreign investors based in EU and EFTA member countries or countries which have entered into specific international agreements with the EU:

- joint-stock company (*spółka akcyjna* – S.A.)
- European Company (*Societas Europea*) (*Spółka Europejska* – SE)
- limited liability company (*spółka z ograniczoną odpowiedzialnością* – sp. z o.o.)
- limited joint-stock partnership (*spółka komandytowo-akcyjna* – S.K.A.)
- registered partnership (*spółka ja*wna – sp.j.)
- limited partnership (*spółka komandytowa* – sp.k.)
- professional partnership (*spółka partnerska* – sp.p.)
- sole proprietorship (*indywidualna działalność gospodarcz*a)
- European Economic Interest Grouping (*Europejskie Zgrupowanie Interesów Gospodarczych* – EZIG)
- civil law partnership (*spółka cy*wilna) – all the partners in this type of partnership have to be registered as individuals jointly pursuing economic activity. Therefore, such a partnership is not a separate business entity though it may be used for joint investment projects or consortia.

Many of the laws governing business operations are contained in the following Acts:

- Code of Commercial Companies (15 September 2000) – covers forms in which companies and partnerships can do business



- Council Regulation (EC) No 2157/2001 on the Statute for a European Company (8 October 2001)
- Council Regulation (EEC) No 2137/85 on the European Economic Interest Grouping (27 July 1985)
- Act on European Economic Interest Grouping and European Company (4 March 2005)
- Act on the Freedom of Economic Activity (2 July 2004).

Other regulations of significance for commercial companies are:

- Banking Law (29 August 1997)
- Act on the Commercialisation and Privatisation of State-owned Enterprises (30 August 1996)
- Insurance Act (22 May 2003)
- Capital Market Regulation Act (29 July 2005)
- Act on Public Offerings and Terms on which Financial Instruments are Introduced to an Organised Trading System and on Public Companies (29 July 2005)
- Act on Trading in Financial Instruments (29 July 2005).

These Acts contain provisions on banking and insurance activities and public trading in securities.

2.2. Companies

All types of companies are available to a foreign investor provided that the investor:

- has a permit legalising his stay and allowing him to conduct business activity in Poland, or
- originates from an EU or EFTA member country or from a country that has entered into specific international agreements with the EU.

If the above conditions are not met, the investor may establish a limited partnership, limited joint-stock partnership, limited liability company or joint-stock company. There are no further limitations on the form of economic activity that investors choose to udertake.

Joint-stock company

A Polish joint-stock company can be established by one or more founding members. A limited liability company with one shareholder cannot be the sole founding member of a joint-stock company.

However, the law does not prohibit a joint-stock company from having only one shareholder that also happens to be a joint-stock company with one shareholder.

Company formation

The founding members agree upon and sign the joint-stock company's articles of association, supply at least 25% of the initial capital, and make all the vital management decisions concerning the company before the management board and supervisory board are appointed.

The formation of a joint-stock company involves the following:

- execution of the articles of association by the founding members
- the shares being paid up in accordance with the law (see Share capital requirements)
- appointment of a management board and a supervisory board (see Management)
- the company being entered in the commercial register (part of the Polish Court Register).

The articles of association should be drawn up in the form of a notarial deed and signed by the founding members.

All founding members should provide the notary with documents confirming their legal status (e.g. for a foreign corporate shareholder, an excerpt from the appropriate commercial register or a deed of incorporation that usually has to be validated by way of an apostille or in a Polish embassy or consulate, together with a sworn translation into Polish).

The company is then registered by the registration court.

The following documentation should be filed with the court:

- application for registration signed by all the members of the company's management board
- the company's articles of association and share subscription statements in the form of notarial deeds
- a statement signed by all the management board members to the effect that the shares have been paid up as provided for in the articles of association and in accordance with the law
- proof that payment for the shares has been made to the bank account of the company in organisation certified by a bank or brokerage house; if the articles of association provide for share capital to be covered by in-kind contributions after the company is registered, the appropriate statement made by all the management board members must be attached
- a document showing that the members of the company's authorities have been appointed, together with a list of their names
- the relevant permit or evidence that the articles of association have been approved by a competent administrative authority if such documents are required for the company's incorporation
- specimen signatures of all the management board members.

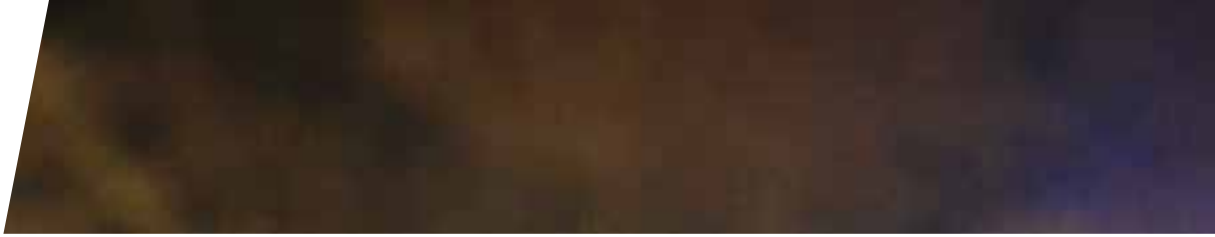
For the company to become fully operational, the statistical office should be notified, whereupon the company will receive its own statistical identification number (REGON). The company will also need to apply to the tax office for a tax identification number (NIP). There is a statutory requirement for a joint-stock company to carry out an annual audit.

Share capital requirements

The minimum share capital requirement is PLN 100,000. The value of each share must be at least PLN 0.01 (*1 grosz*). Shares are equal and indivisible. Shares acquired in exchange for a contribution in kind should be fully paid up no later than one year after the company's registration. Shares taken up in cash should be paid up to 25% before the company is registered. If shares are acquired solely through a contribution in kind, or through a contribution in kind plus a cash contribution, 25% of the nominal share capital should be paid up prior to registration.

If the shares are covered by a contribution in kind, the founders must draw up a special valuation report to be examined during the registration process by auditors appointed by the registration court.

Preference shares may be issued, awarding, for example, preferential dividend rights (though these are limited), voting privileges (up to two votes per share), or privileges with respect to the distribution of assets in the event of the company's liquidation. A joint-stock company may issue either registered or bearer shares.



There are no legal restrictions on the transferability of bearer shares under the law and none can be imposed in a company's articles of association.

Shares which are not paid up to their full nominal value or which are taken up in exchange for a contribution in kind cannot be issued as bearer shares. Registered shares can only be transferred by way of a written statement made by the previous shareholder and delivery of the share certificate.

Reserve capital

A reserve fund for potential losses must be created by 8% of the joint-stock company's annual profits being transferred to the fund until the amount on the reserve capital is one third of share capital.

Management

The authorities of a joint-stock company are the shareholders' meeting, the management board and the supervisory board.

Shareholders' meeting

The shareholders' meeting is empowered to:

- examine and approve the management board report, the balance sheet and the profit and loss account for the previous year
- allocate profit or absorb losses, and make decisions regarding claims for any damage caused during the establishment, management or supervision of the company
- dispose of or lease the company's business or an organised part thereof or establish a limited property right thereon
- dispose of or acquire real estate, perpetual usufruct of real estate or part thereof (unless otherwise stated in the articles of association)
- issue convertible bonds or bonds with a pre-emptive right
- amend the company's articles of association
- increase or decrease the company's share capital (subject to specific exceptions)
- for a period of two years after company registration, acquire a property for a price more than 1/10 higher than the paid-up share capital from certain categories of related entities, such as a founding member or a company shareholder.

An absolute majority of votes cast is sufficient for most decisions. However, some resolutions may be adopted only by:

- a unanimous vote of the shareholders concerned (for example, amendments to the articles of association increasing shareholders' preferential dividend rights or reducing individual rights vested personally in shareholders)
- a qualified majority of three quarters of votes cast (for example, when amending the articles of association or decreasing share capital or when taking a decision to merge the company).

The articles of association may contain more stringent conditions for the adoption of such resolutions.

Management board

The supervisory board appoints the joint-stock company's management board unless otherwise specified in the articles of association.

The management board members' term of office cannot exceed five years. The management board has the exclusive power to represent the company before third parties, both in and out of court, but any limitations in this respect will not be effective towards third parties.

The management board is a collective body, so it makes decisions by way of resolutions.

Supervisory board

A joint-stock company must have a supervisory board of no fewer than three persons (five in public companies) appointed by the shareholders' meeting.

The supervisory board permanently supervises the company's operations in all areas of its business and specifically has the power to: examine the management board report and the company's financial statements to ensure that they accurately reflect the company's books of account, documents, and the actual state of affairs; examine the management board's activities regarding allocation of profit and absorption of losses and submit an annual written report on the result of its examination to the shareholders' meeting.

In case of public joint-stock companies, in which the supervisory board is composed of more than five persons, an Audit Committee should be appointed. The Audit Committee should be composed of three or more members, at least one of which should fulfil the independence requirements of the Certified Auditors Act and be qualified in accounting and financial revision. The members of the Audit Committee are appointed by the supervisory board from among its members. The Audit Committee is responsible, *inter alia*, for:

- monitoring the financial reporting process
- monitoring the effectiveness of the internal control systems, internal audit and risk management
- monitoring the financial revision
- monitoring the independence of the certified auditor and, in some cases, of the entity authorized to review the financial statements of the company.

Liability

A joint-stock company's shareholders are not personally responsible for the company's liabilities. Management board members are liable jointly and severally with all their assets for any tax arrears the company may have if enforcement against the company proves ineffective, unless board members can show that a petition in bankruptcy was filed or arrangement proceedings were initiated in due time, or that failure to file a petition or enter into arrangement proceedings was not due to a fault on their part, or if they indicate property on which the enforcement can be effected.

Management board members are also responsible for any tax liabilities arising during the period in which they sat on the management board. The Code of Commercial Companies provides for civil and criminal liability of the company's founders, management board and supervisory board members and shareholders for certain activities carried out in violation of the law.

Dissolution

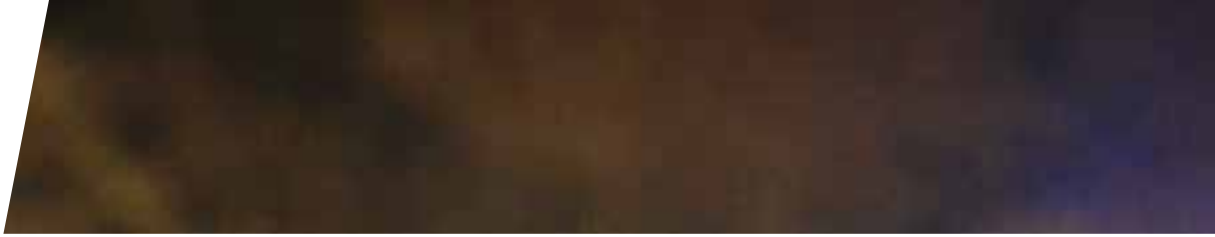
A joint-stock company can be dissolved:

- for reasons set out in the company's articles of association
- by way of a resolution adopted by the shareholders' meeting to dissolve the company or to transfer the registered office or principal establishment of the company abroad
- when the company is declared bankrupt by a court
- for other reasons provided for by the law.

European Company

A European Company is a company which is intended for large, Europe-wide businesses. It is not bound by the legal and practical constraints arising from the domestic company laws of each EU member state. The main advantage of a European Company is that it can move its registered office from one EU state to another without losing legal personality.

A European Company is governed by Regulation No 2157/2001 on the Statute for a European Company, the European Company's articles of association, the laws of EU member states adopted



in implementation of EU measures relating to European Companies and the laws of EU member states which would apply to a joint-stock company formed in accordance with the law of the member state where the European Company has its registered office. This means that, to the extent not regulated in EU law, European Companies with registered offices in Poland will be subject to Polish provisions on joint-stock companies established under the Polish Code of Commercial Companies.

Formation

A European Company may be formed through:

- merger of two joint-stock companies from different EU member states
- formation of a holding company by two joint-stock companies or limited liability companies from different EU member states or by any two joint-stock companies or limited liability companies that have had a subsidiary or a branch in another EU member state for a minimum of two years
- formation of a joint subsidiary by two entities from different EU member states or by two entities that have had a subsidiary or a branch in another EU member state for a minimum of two years, or
- transformation of a joint-stock company previously formed under national law which has had a subsidiary in another EU member state for two years.

Any existing European Company may move its registered office to Poland.

Capital requirements

The minimum capital requirement for a European Company is € 120,000 (unless Polish law requires larger capital for companies carrying on certain types of activity).

Management

The founders of a European Company may choose between a two-tier system (i.e. involving a management board and a supervisory board, similar to the Polish joint-stock company described above) or a single-tier system (i.e. where the European Company is managed by an administrative board, closer to the concepts in Spanish or Italian company law). Under the one-tier system, the European Company's administrative board runs its affairs, represents it and supervises its business.

The administrative board may appoint managing directors from among its members or third parties. However, at least half the number of administrative board members should not be managing directors.

Limited liability company

A limited liability company may have only one shareholder, though it cannot be formed solely by another limited liability company with one shareholder. Incorporation of a limited liability company generally involves the same procedure as incorporation of a joint-stock company. A limited liability company does not necessarily have to be audited every year (see Accounting and audit requirements).

Share capital requirements

The minimum share capital in a limited liability company is PLN 5,000 and it must be paid up in full before registration. The nominal value of one share cannot be less than PLN 50.

A shareholder can hold either one share (when shares are divisible and unequal) or more than one share (when they are indivisible and equal). Preference shares may be issued. The transfer or pledge of a share or part thereof in a limited liability company should be made in written form with signatures certified by a notary.

Reserve capital

There is no requirement for a limited liability company to have a reserve fund.

Management

The authorities of a limited liability company are the shareholders' meeting and the management board.

A supervisory board or audit committee is optional, unless the limited liability company has share capital of more than PLN 500,000 and more than 25 shareholders. The shareholders' meeting is the supreme authority in a limited liability company. The shareholders' meeting has rights similar to those in a joint-stock company, although some of its powers and majority ratios required for passing resolutions on certain issues may differ. The management board is appointed by the shareholders' meeting. The powers of the management board are similar to those in a joint-stock company, except that any individual board member may conduct matters within the ordinary course of business. Members of the management board in a limited liability company may be appointed for a non-fixed term. Each shareholder has the right of inspection. In order to exercise this right, each shareholder (or a shareholder accompanied by an authorised person) may at any time inspect the company's books and documents, draw up a balance sheet for his/her own use and request the management board to provide explanations. Where there is a supervisory board or an audit committee, the company's articles of association may exclude the right of individual inspection by shareholders. The supervisory board (audit committee) of a limited liability company, if appointed, must be composed of a minimum of three persons. The powers of the supervisory board in a limited liability company are similar to those of the supervisory board in a joint-stock company.

Liability

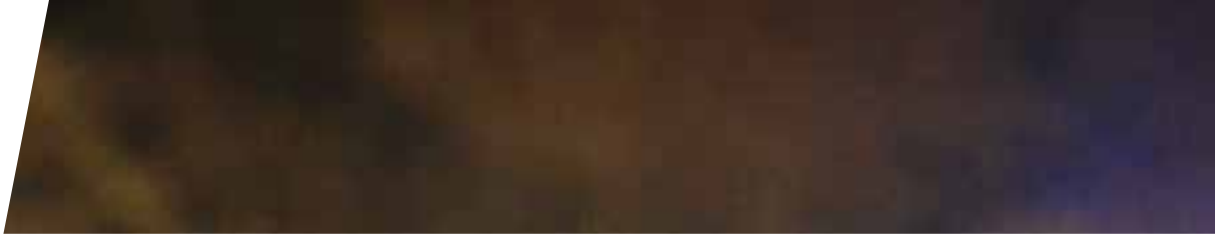
The rules are the same as those given above for a joint-stock company.

Dissolution

A limited liability company may be dissolved for reasons similar to those that apply to a joint-stock company.

Major differences between limited liability companies and joint-stock companies:

Shareholders	Limited liability company	Joint-stock company
Number of founding members	One or more shareholders. A limited liability company cannot be formed solely by another limited liability company with one shareholder.	One or more founding members. A limited liability company with one shareholder cannot be the sole founding member of a joint-stock company.
Minimum share capital	PLN 5,000	PLN 100,000
Minimum value of one share	PLN 50	PLN 0.01 (*1 grosz*)
Contributions	In cash or in kind; share capital must be fully paid up before registration.	In cash or in kind; shares covered by an in kind contribution should be fully paid up no later than one year after company registration. Shares taken up in cash should be 25% paid up prior to company registration. If the shares are acquired solely through a contribution in kind, or through a contribution in kind plus a cash contribution, 25% of the nominal share capital should be paid up prior to registration.



Shareholders	Limited liability company	Joint-stock company
Valuation procedure in the event of a contribution in kind	No valuation report needs to be drawn up by shareholders.	Founders must draw up a special valuation report to be examined during the registration process by auditors appointed by the registration court.
Additional payments	The company's articles of association may oblige shareholders to make additional payments up to a specified amount in proportion to their shareholding.	Shareholders may be obliged to make additional payments only in exchange for additional privileges granted for their shares.
Increases in authorised capital	The law does not provide for share capital to be increased by the management board – a shareholders' meeting resolution is required.	The articles of association may authorise the management board to conditionally increase the share capital for a period of not longer than three years.
Supervision	Each shareholder has the right of inspection. A supervisory board or audit committee is optional unless the company has share capital of more than PLN 500,000 and more than 25 shareholders.	Shareholders have no right of inspection. The company must have a supervisory board.
Exclusion of a shareholder	The court may exclude an individual shareholder on the request of all the other shareholders, provided that the value of the shares held by the shareholders requesting the exclusion exceeds one half of the initial capital.	The law does not provide for the possibility of a shareholder being excluded, though it does allow for a compulsory buyout of shares (a so-called "squeeze-out").
Liability	Management board members are liable jointly and severally with all their assets for the company's liabilities towards its creditors and for the company's tax arrears if enforcement against the company proves ineffective, unless management board members can show that a petition in bankruptcy was filed or arrangement proceedings were initiated in due time, or that failure to file a petition or enter into arrangement proceedings was not due to a fault on their part, or if they indicate property on which the enforcement can be effected.	Management board members are liable jointly and severally with all their assets for the company's tax arrears if enforcement against the company proves ineffective, unless management board members can show that a petition in bankruptcy was filed or arrangement proceedings were initiated in due time, or that failure to file a petition or enter into arrangement proceedings was not due to a fault on their part, or if they indicate property on which the enforcement can be effected.

2.3. Commercial partnerships

There are four types of commercial partnership under Polish law. The rights and obligations of a partner in a partnership may on certain conditions be transferred to another party, who becomes a partner after the rights are effectively transferred.

Registered partnership

This form of partnership is regulated by the Code of Commercial Companies. It does not have legal personality, though it may act on its own behalf and have its own assets and debts. All partners are jointly and severally liable for the partnership's obligations, but creditors are obliged to seek satisfaction from the partnership's assets first. The partners' liability cannot be excluded.

All partners are entitled to represent the partnership and manage its business.

A partner may be excluded from representing the partnership in the partnership deed or by a court. The registered partnership deed must be drawn up in writing; otherwise it will be null and void.

Limited partnership

Limited partnerships are also regulated by the Code of Commercial Companies and also have no legal personality.

There are two types of partners in this partnership and they differ in terms of liability. The personal liability of certain partners is limited to a declared amount which is stated in the commercial register. Such partners are free of any liability above the amount of their contribution to the partnership. A limited partner can only represent the partnership to a limited extent set out in a power of attorney granted to him by the partnership.

Other partners are liable jointly and severally for all the partnership's obligations with their personal assets in the appropriate way as partners in a registered partnership.

The limited partnership deed must be drawn up by a notary in the form of a notarial deed; otherwise it will be null and void. In most matters, the provisions on registered partnerships also apply to limited partnerships.

Professional partnership

This partnership is available for investors wishing to conduct economic activities defined as "freelance professions" in Poland. These include attorneys-at-law, notaries, dentists, architects and accountants, and the professions that are listed in Article 88 of the Code of Commercial Companies. This type of partnership has no legal personality.

Partners in this partnership must be authorised to work in the profession concerned. They are liable for the partnership's obligations with all their personal assets.

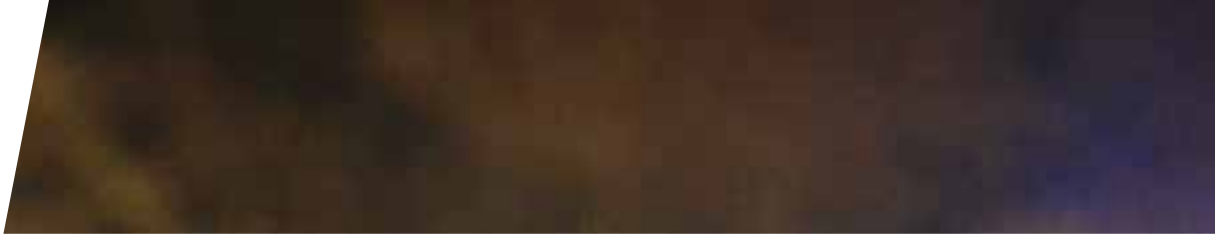
However, their liability is limited to obligations arising from the actions or omissions of people working for the partnership under the management of a certain partner. The partnership deed may provide that partners are liable for all the partnership's obligations. Each partner is entitled to represent the partnership independently unless the deed states otherwise. A partner may be deprived of the right to represent the partnership by a resolution taken by the other partners. The partnership deed must be drawn up in writing; otherwise it will be null and void.

Limited joint-stock partnership

This partnership has no legal personality either, though it is a hybrid of a joint-stock company and a limited partnership. The partnership deed must be drawn up by a notary; otherwise it will be null and void. Two types of partner are required to form this partnership:

- a partner whose liability for all the partnership's obligations is not limited in any way and is regulated in the same way as in a registered or limited partnership
- a shareholder who is not liable for the partnership's obligations but is obliged to acquire and pay up shares – the legal status of this shareholder equates to that of a shareholder in a joint-stock company.

Partners are entitled to represent the partnership, while shareholders may do so only on the basis of a power of attorney. Partners manage the day-to-day business of the partnership. In certain situations, some partners may be excluded from management and representation. The minimum share capital in this type of partnership is PLN 50,000. Partners may contribute to the company in cash or in kind, but this is not obligatory.



This partnership may appoint the following authorities:

Supervisory board

If there are more than 25 shareholders, a supervisory board must be set up. If there are fewer than 25 shareholders, the supervisory board may be established by the general meeting. The members of this corporate authority are appointed by the general meeting.

General meeting

The general meeting is different from that in a joint-stock or limited liability company. It consists of shareholders and partners who may take part in the meeting even if they do not hold any shares in the partnership.

The meeting has the sole power to:

- examine and approve the partners' reports and financial statements for the previous year and dissolve the partnership
- acknowledge that the members of the supervisory board and partners managing the day-to-day business of the partnership have discharged their duties
- appoint a certified auditor, unless this is reserved for the supervisory board.

The provisions on voting in joint-stock companies apply to this partnership accordingly. However, in certain cases a unanimous resolution of the partners is obligatory. In other cases, a resolution passed with a majority of the partners' votes is sufficient if, together with the votes of the shareholders, the required majority is reached.

If the provisions on this type of company do not provide a comprehensive solution, the provisions on limited partnerships apply accordingly to the legal status of partners and their contributions to the partnership. In other cases, the rules on joint-stock companies apply accordingly to a limited joint-stock partnership.

European Economic Interest Grouping

The purpose of the European Economic Interest Grouping is to facilitate or develop the economic activities of its members. A European Economic Interest Grouping has legal capacity but its members are fully liable for its debts. It can be formed by companies, firms and other entities governed by public or private law which have been formed in accordance with the law of any EU member state and which have their registered office in the EU. It can also be formed by individuals carrying out industrial, commercial, craft or agricultural activity or providing professional or other services in the EU. However, a minimum of two members must reside or have their registered offices in different EU member states.

Unless otherwise regulated in Regulation No 2137/85 on the European Economic Interest Grouping or in the Act on European Economic Interest Grouping and European Company, Polish law regulating registered partnerships applies to a European Economic Interest Grouping with its registered office in Poland.

Sole proprietorship

This form of business entity is widely used in Poland, especially for small enterprises. It is not subject to any special regulation except for the Act on the Freedom of Economic Activity. A natural person may conduct economic activity in this form using either his/her name or the name of the enterprise.

A person using this form of economic activity is liable for all obligations arising from it with all his/her personal assets.

2.4. Branches and representative offices

Under the Act on Freedom of Economic Activity, foreign investors may use the following forms of business entity:

- branch
- representative office.

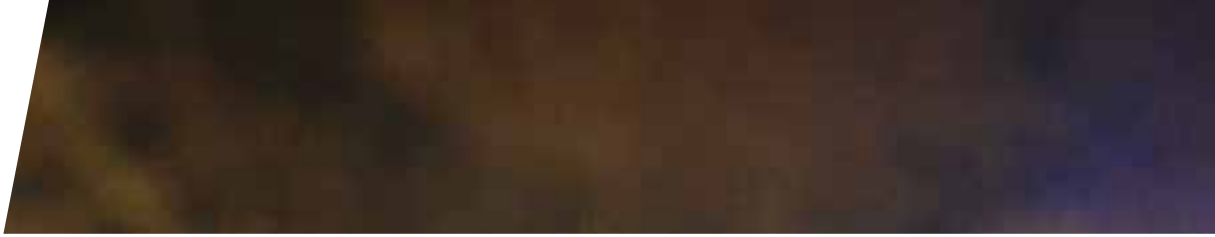
A branch is registered in the commercial register, part of the Polish Court Register, under the name of the foreign investor together with the words "Branch in Poland". The branch can only conduct activities within the scope of the foreign investor's business. The Minister of the Economy may prohibit a branch conducting activities in certain situations specified by the law. A representative office can only promote and advertise the foreign investor establishing the office. No other economic activity may be conducted in this form. A representative office is registered in a special register of representative offices kept by the Ministry of the Economy. Registration may be refused in certain situations provided by law.

Establishing a branch or representative office does not require any permits to be obtained from administrative authorities. In both cases, registration and entry in the appropriate register are obligatory.

2.5. Commercial register

According to the Polish Court Register Act of 7 October 1997, companies and commercial partnerships must be registered in the commercial register, which is part of the Polish Court Register kept by district courts. The commercial register is accessible to the public and comprises six parts. The information in it covers:

- part 1 – the company's name and legal form, its REGON number, any previous number in a commercial or business register, place where business is conducted and address of the company's registered office, names of the shareholders in commercial partnerships, details of any company branches, amount of the company's share capital (and whether it was covered by contributions in cash or in kind), names of the shareholders in limited liability companies and the number of shares held by each (only those shareholders holding more than 10% of share capital), name of the sole shareholder in a joint-stock company, information on execution of the company's articles of association and any amendments thereto
- part 2 – details of company representatives, supervisory authorities and holders of commercial powers of attorney
- part 3 – the company's objects, information on whether and when the company's annual financial statements, auditor's reports, resolutions approving the financial statements were filed and details of profit distribution and loss absorption
- part 4 – details of overdue tax and other payments and social security contributions covered by enforcement if they were not paid within sixty days of initiation of enforcement proceedings, details of the company's creditors and their claims if a creditor has an execution title for a claim that was not paid



within thirty days of the date on which he/she called on the company to make the performance, information on securing the debtor's assets in bankruptcy proceedings by way of suspending execution, dismissal of a petition in bankruptcy due to the fact that the insolvent debtor's assets are insufficient to cover the costs of the proceedings

- part 5 – appointment or recall of conservators for the company
- part 6 – initiation and closing of liquidation proceedings, dissolution and cancellation of the company's articles of association, mergers and transformations, initiation and closing of reorganisation proceedings and other information about proceedings disclosure of which in the Polish Court Register is required by law.

A partnership may start operating once it is entered in the commercial register. This does not apply to companies that can start operating before they are entered in the register. A company is entered in the register upon an application made by its management board. Any changes in data contained in the register must be reported to the court and must be entered in the register. An application for a company to be entered in the register or for data contained therein to be changed must be filed using a special official form. The court is obliged to issue decisions to enter the company in the register or for changes to be made to the data therein within 7 days of an application being filed, though in practice it may take longer.

3. Real estate

3.1. Acquisition of real estate by foreigners

As a rule, under current regulations (the Act on the Acquisition of Real Estate by Foreigners – the "Act"), foreign nationals (individuals and entities) wishing to purchase real estate in Poland must obtain a permit from the Minister of Internal Affairs and Administration.

Under the Act, foreign investors must also obtain a permit from the Minister of Internal Affairs and Administration if they wish to purchase shares in a commercial company that has its registered office in Poland or execute any other legal transaction involving such shares, if a company that is the owner or perpetual usufructuary of real estate in Poland becomes, as the result of the purchase or other transaction, a "controlled" company. A permit is also required to purchase or subscribe for shares in an already controlled commercial company with its registered office in Poland if the company is the owner or perpetual usufructuary of real estate in Poland and the shares are purchased/subscribed for by a foreign investor that is not a shareholder in that company.

There are, however, numerous exceptions to the above rule, the most important one concerning citizens and entrepreneurs (including companies) of EEA countries (EU countries + Iceland, Liechtenstein and Norway) and Switzerland. These citizens and entrepreneurs do not have to obtain a permit to acquire real estate or shares in companies which are owners or perpetual usufructuaries of real estate unless the real estate comprises forest or agricultural land – this restriction will continue to apply until 2 May 2016 (there are, however, some additional exceptions to this restriction, namely unrestricted acquisition of agricultural or forest land is enjoyed by tenants from the EEA and Switzerland that have used the land under lease agreements (*umowa dzierżawy*) for a minimum of 3 or 7 years, depending on the location of the land and subject to certain other conditions).

Consequently, the requirement to obtain a Minister of Internal Affairs and Administration permit to acquire real estate or shares in a company that is the owner or perpetual usufructuary of real estate currently applies mainly to foreigners from outside the EEA and Switzerland.

Investors from countries other than those in the EEA and Switzerland can easily avoid this restriction by setting up a subsidiary or a branch in Poland, another EEA country or in Switzerland, that can without restriction (e.g. without having to obtain a permit from the Minister of Internal Affairs and Administration) acquire real estate (or shares in a Polish company that is the owner or perpetual usufructuary of real estate). The subsidiary or branch will then be regarded as an entrepreneur of the EEA or Switzerland, i.e. one that is allowed, under the general exemption, to make acquisitions without having to obtain a permit (with certain exceptions discussed above).

Real estate is defined in the Polish Civil Code as "land which constitutes a separate object of ownership and buildings permanently attached to the land or their parts if under special provisions they constitute an object of ownership separate from the land".

In the Act, a foreigner is defined as:

- a person who is not a Polish citizen, or
- a legal person with its registered office outside Poland, or
- a partnership of the persons mentioned in items above with its registered office abroad, established in accordance with the law of the relevant foreign country, or
- a company or a legal person with its registered office in Poland controlled directly or indirectly by the companies or person/s mentioned in the items above.

A commercial company is deemed to be "controlled" if a foreigner or foreigners have directly or indirectly over 50% of votes at the general meeting of shareholders, also as a pledgee, usufructuary or on the basis of agreements with other parties, or if foreigners are "dominant entities" in this company as defined in Article 4 § 1 point 4 (b), (c) or (e) of the Code of Commercial Companies.

The definition of a "dominant entity" in Article 4 § 1 point 4 (b), (c) or (e) of the Code of Commercial Companies covers the following:

- the entity is entitled to appoint and remove the majority of the members of the management board or supervisory board of another entity (dependent entity), also on the basis of agreements with third parties
- the entity has directly or indirectly a majority of votes in a dependent partnership or at the general meeting of a dependent cooperative, also on the basis of agreements with third parties.

A permit is issued on a foreigner's application if:

- the acquisition of real estate by the foreigner does not pose a threat to national defence, safety or public order, and does not contravene social and health policy
- the foreigner can prove that he/she has links with Poland (e.g. Polish nationality, Polish origin, marriage to a Polish national, has a permit to temporarily reside in Poland, a permanent residence permit or a EU long-term residence permit, is a member of a managing authority of a controlled company in Poland, or conducts business or agricultural activity in Poland).

The area of real estate acquired by a foreign citizen for residential purposes cannot exceed 0.5 ha. If real estate is acquired by a foreigner conducting business operations in Poland, the area should be sufficient to meet the needs of that business.

Applications are currently reviewed within 2-4 months (including the time needed for consultations with the Minister of National Defence and the Minister of Agriculture) but the procedure sometimes takes longer. It also takes a few weeks to compile all the documents required before an application can be filed.

The Minister of Internal Affairs and Administration's policy is to grant permits only to companies (or branches) that are incorporated in Poland. Consequently, there is little chance of a permit being issued to a foreign company incorporated abroad.

If the investor does not have a commercial company in Poland, he/she can submit an application and obtain a permit promise. This promise is subject to the relevant regulations on such permits. A permit promise is valid for one year from the issue date. During this period, the Minister cannot refuse to grant a permit unless there is a change in the material facts of the case.

In addition to the general exemptions available to EEA and Swiss citizens and entrepreneurs, a permit is not required, *inter alia*, in the following cases:

- purchase of a self-contained apartment
- purchase of a self-contained garage if connected with meeting the housing needs of the purchaser/owner of real estate or a self-contained apartment
- purchase of real estate by a foreign citizen that has resided in Poland for at least 5 years (from the date a permanent residence permit or an EU long-term residence permit was obtained)
- acquisition by a foreign citizen whose spouse is a Polish citizen, provided that the foreign citizen has resided in Poland for at least 2 years since obtaining a permanent residence permit or an EU long-term residence permit, of real estate which will become part of the spouses' joint marital property
- purchase of real estate by a foreign citizen if on the date of purchase the foreign citizen is the statutory heir of the real estate seller, and if the seller has been the owner or perpetual usufructuary for at least 5 years
- purchase for business purposes by legal persons and partnerships which are not legal entities controlled directly or indirectly by foreigners of undeveloped real estate located within city limits whose area, together with the area of other real estate already owned in Poland by the same foreigner, does not exceed 0.4 ha
- acquisition of real estate by a bank holding a mortgage as a result of an unsuccessful auction sale
- acquisition (by purchase or otherwise) by a bank controlled directly or indirectly by foreign investors of shares or interests in a company or partnership which is the owner or perpetual usufructuary of real estate, if the acquisition involves enforcement of bank claims arising from its banking business
- acquisition of shares in companies that are listed on a stock exchange or an OTC (over-the-counter) market
- acquisition of shares in companies that are owners/perpetual usufructuaries of real estate the acquisition of which is exempt from the permit requirement.

The above exemptions do not apply if the real estate is located in a border zone or constitutes agricultural land of over 1 ha.

Stamp duty of PLN 1,570 is payable on a permit.

3.2. Perpetual usufruct

Perpetual usufruct is a right of a nature similar to ownership, although it is established for a limited time. It is governed by the provisions of the Civil Code and the Real Estate Management Act. A perpetual usufruct may be established on land owned by the state within the boundaries of cities (or outside cities but covered by local development plans) and on land owned by local municipal authorities and other state or municipal land as provided for in special regulations.

The term of a perpetual usufruct is between 40 and 99 years. When this term ends, the perpetual usufruct may be extended for another period of up to 99 years (further extensions are also possible). Extension can only be refused if important public interests are at stake.

In principle, a perpetual usufruct is established by way of a contract drawn up in the form of a notarial deed (it must also be entered in the land and mortgage register). This contract will also cover the transfer of ownership of buildings (or other constructions) to the usufructuary.

Charges for the transfer of land in perpetual usufruct are an one-off fee on hand-over and annual fees thereafter. The initial fee is payable in a lump sum not later than on the perpetual usufruct contract execution date.

Annual fees are paid throughout the contract term (by 31 March each year) starting from the year following that in which the perpetual usufruct was established. The initial fee is 15%-25% of the value of the land, while the annual fees vary from 0.3% to 3% of the value depending on the purpose for which the land is taken in perpetual usufruct.

Buildings (or other structures) erected by the usufructuary on land held in perpetual usufruct are the property of the usufructuary, while the general rule is that any buildings standing on the owner's land are the property of the owner of the land. Accordingly, the ownership of existing buildings must be transferred together with the transfer of the perpetual usufruct.

A usufructuary can assign the right he has acquired or, in more colloquial terms, he can "sell" property he holds in perpetual usufruct. In this case the provisions governing transfer of ownership apply.

At the end of the perpetual usufruct term the usufructuary is entitled to compensation for any buildings (and other constructions) erected unless they were erected in breach of the perpetual usufruct contract. The amount of the compensation constitutes the value of the buildings (or other constructions) on the usufruct expiry date.

3.3. Leases

Polish and foreign legal entities and individuals may lease real estate without having to obtain a permit from the Minister of Internal Affairs and Administration. Polish law recognises two types of lease contract: *umowa najmu* and *umowa dzierżawy*. Under *umowa najmu* the lessee may only use the property, while under *umowa dzierżawy* the lessee may use the property and collect benefits therefrom. Both types of contract may be executed for a fixed or non-fixed term. An example of an *umowa najmu* would be the short-term lease of an apartment or office. An *umowa dzierżawy* would typically be used for the lease of farmland or a site for development. Any lease for a period of more than one year should be executed in writing. Both Polish and foreign entities can also use real estate under various leasing schemes (particularly on the basis of so-called "sale and lease back" transactions). No permit is needed from the Minister of Internal Affairs and Administration in this case.

3.4. Real estate purchase agreements

In principle, real estate owned by state or local authorities can be purchased only by auction or tender. Real estate owned by other entities or persons can be acquired under a sale contract, donation, inheritance, etc. According to the Civil Code, a real estate purchase contract must take the form of a notarial deed executed by a Polish notary. A contract in any other form will be null and void. Prior to obtaining a Ministry permit, a preliminary agreement can be executed in which the seller undertakes to sell a specific real property to the purchaser and the purchaser undertakes to pay the price for the real estate to the seller on a specific date or on a specific condition, e.g. obtaining a permit. This agreement does not transfer the ownership title to the real estate but is the basis for a claim for execution of the final agreement once the permit is obtained. After the Ministry issues the permit, the agreement to transfer the ownership title to the real estate or the perpetual usufruct right should be executed in the form of a notarial deed; otherwise it will be null and void.

3.5. Land and mortgage register

Once the final agreement to transfer the ownership title to the real estate or the perpetual usufruct right has been executed, the new owner or usufructuary should be entered in the land and mortgage register maintained by the appropriate court.

3.6. Reprivatisation

After the Second World War, the Polish government nationalised most land belonging to private owners. To date, Poland has not enacted any reprivatisation legislation. Thus the only way to regain ownership is to prove in court or administrative proceedings that the land was nationalised in violation of the relevant provisions. There have been many cases where this was successfully achieved.

Accordingly, before purchasing real estate (particularly from the state or a local government authority), care must be taken to ensure that no reprivatisation claims have been filed by former owners.

3.7. Investment process

Assuming that the land has been designated for a certain type of investment, a construction permit is required before construction starts.

It can be issued:

- directly based on a local development plan
- if there is no such plan, a land use decision (WZ) will be needed. The investor, having obtained this decision and made any other arrangements, can then apply for a construction permit.

At the end of the planning and construction process the investor usually has to obtain an occupancy permit.

Unfortunately, on 1 January 2004 most of old local development plans in Poland expired. Therefore, until new plans are adopted (this process is very slow and most areas are not covered by any plans), investors will have to apply for a land use decision.

From a legal perspective the development process is complicated and attempts to make local authorities adopt development plans have been ineffective. Thus in recent years, several reforms have been proposed to development regulations though none have to date been successfully passed.

3.8. Acquisition of agricultural land

Polish agricultural policy favours family-owned farms of an area of less than 300 ha on which agricultural activity is carried out by persons with agricultural experience or qualifications. The same rules apply to both Polish and foreign citizens.

There is no limit on how much privately-owned agricultural real estate can be acquired by individuals or companies. However, the Agricultural Real Estate Agency can exercise its right of first refusal unless the transaction meets certain requirements (e.g. the transaction is executed to increase the area of a family-owned farm up to 300 ha and the purchaser lives in the same or a neighbouring municipality). This is a way for the Agency to control transactions involving agricultural real estate.

State-owned agricultural real estate is controlled by the Agricultural Real Estate Agency. Agricultural land can only be sold by the Agency if, as a result of the transaction, the total area of the farming land owned by the acquirer does not exceed 500 ha.

4. Taxation

4.1. Corporate Income Tax

The Personal Income Tax, Corporate Income Tax and Value Added Tax Acts were all introduced in the early 1990s. Since then the Polish tax system has been subject to frequent and fundamental changes. These changes have been made through various mechanisms: changes in laws, varying court decisions, authorities' rulings and accepted practice.

Tax law has also undergone substantial modification and amendment due to Poland's accession to the European Union. The new Value Added Tax Act came into effect on the accession date (1 May 2004). The Corporate Income Tax Act has been significantly modified mainly in terms of cross-border transactions such as payment of dividends and restructurings.

Scope

Resident vs. non-resident

A company is regarded as a Polish resident if it has either its registered office or place of management in Poland. The term "place of management" is in principle determined under the effective management test defined in many treaties (i.e. the place where the management board or equivalent meets and takes decisions). Resident companies pay corporate income tax on their worldwide income and capital gains. Non-resident companies are taxed only on income and capital gains earned in Poland, unless a specific double tax treaty (DTT) provides otherwise. A foreign partnership is subject to corporate income tax in Poland only if it is treated in its home country as an entity subject to corporate income tax. Otherwise, the income of its partners may be subject to taxation in Poland (see below).

Taxation of partnerships formed by companies

Partnerships are tax transparent entities, except for some cases of foreign partnerships (see above). Revenues earned and costs borne by partnerships are subject to corporate income tax at the level of the corporate partners, in proportion to their shares of interest.

Branch vs. subsidiary

A branch of a non-resident company is generally taxed on the same rules as a Polish company. The branch will usually be taxed on income determined on the basis of accounting records which must be kept in Polish currency (PLN). However, there are regulations under which coefficients (determining deemed profitability) can be applied for specific revenue categories if the taxable base cannot be determined from the books (see coefficients). There is no branch withholding tax on the transfer of profits from a branch to its head office, as from a legal point of view, a branch is considered part of the foreign company.

A branch can be transformed into a subsidiary through the transfer of assets or the business to the subsidiary.

Foreign-source income

Income from an overseas representative office or permanent establishment of a Polish resident company is included in the company's total taxable income unless exemption can be applied under a DTT (about 80% of treaties provide exemption). In some circumstances, Polish law allows overseas corporate income tax paid to be credited against Polish tax payable, but usually only up to the amount of Polish tax on that income (referred to as "ordinary tax credit"). Any excess foreign tax is lost (subject to the comments further down).

Inbound dividends

Inbound dividends from a subsidiary in another EU or EEA Member State can be exempt from income tax in Poland. This applies if the Polish parent has held a minimum 10% capital participation in the subsidiary for an uninterrupted period of at least two years. The shareholding period requirement does not have to be met upfront on the payment date.

The above also applies to permanent establishments of non-resident EU/EEA companies located in Poland if they receive dividends from another EU/EEA resident company.

The exemption may also apply in the case of inbound dividend received from a Swiss subsidiary; however, the required minimum participation of the Polish parent in the Swiss subsidiary is 25%.

The above exemption does not apply if income from participation, including redemption proceeds, is received as a result of liquidation of the legal entity making the payments. In other cases of inbound dividends, exemption may result from DTTs. Tax credit (both direct and underlying) may also be applicable, depending on a number of requirements under both domestic rules and DTTs.

Based on domestic rules:

- direct, proportional ordinary tax credit is available when any income of a Polish tax resident is taxed abroad and such income is not tax exempt in Poland
- additional underlying, proportional tax credit is applicable whenever a company being a Polish tax resident holds a minimum of 75% shares in an entity taxed on its worldwide income in any treaty country outside the EU/EEA/Switzerland.

The Polish taxpayer has to have held shares in the subsidiary for an uninterrupted period of two years. The shareholding period requirement does not have to be met upfront on the payment date (the taxpayer can declare that it intends to hold the shares and can meet the holding period criterion after payment).

Tax year

Corporate income tax is payable annually. However, advance monthly payments usually have to be made when cumulative income in a tax year is recorded (quarterly in the start-up year). In certain circumstances, special rules on simplified advance monthly payments or a payment deferral mechanism may be applied. The tax year generally consists of twelve consecutive months and usually corresponds to the calendar year. At start-up, a company may choose to extend its first tax year to 18 months if it was established in the second half of a calendar year and chose the calendar year as its tax year. A company is free to change its tax year by choosing a different twelve-month period. Any such change has to be notified to the relevant tax office. When a company changes its tax year, the first tax year after the change cannot be shorter than twelve or longer than twenty three consecutive months.

Groups of companies

Tax consolidation

A "tax capital group" may be formed for corporate income tax purposes. Taxable income for the group is calculated by combining the incomes and losses of all the companies forming the group.

A tax capital group may be formed only by limited liability or joint-stock companies based in Poland, if the following conditions are met:

- the average share capital of the companies forming the group is not lower than PLN 1mn

- the companies involved are related entities where the dominant company holds a minimum of 95% in each subsidiary forming the group (which means that a tax capital group can only be formed by a parent company and its subsidiary(ies) – no other structures are allowed)
- those subsidiaries do not hold any shares in other companies forming the group
- the companies involved have no outstanding tax liabilities to the Treasury; an agreement on joint group filing for a minimum period of three years must be signed before a notary and filed with the tax office
- the profitability ratio of the group must not be lower than 3% for each tax year
- the companies involved do not enjoy any CIT exemptions based on laws other than the CIT Act
- none of the companies forming the group has any relationships triggering the circumstances referred to in Article 11 of the CIT Act (provisions on transfer pricing) with other companies from outside the group.

The above requirements have to be met continuously throughout the period of the group's existence. Breach of any requirement will lead to termination of the group's capacity of taxpayer and in potential tax arrears at the level of group members.

As the tax authorities have up to six years to inspect taxpayers, they could challenge the tax position of the companies forming the group retrospectively.

Group losses

A tax capital group cannot utilise tax losses generated by group members prior to formation of the group. Any tax loss generated by the group cannot be offset by its members against their tax profits after the group ceases to exist.

Asset transfers

The transfer of assets between companies in tax capital groups is treated as a normal disposal. However, transfer pricing restrictions do not apply to any transactions between the tax capital group member companies.

In addition, donations between companies in a tax capital group should be treated as tax deductible costs for the donor. Donations outside the group are not deductible.

Determination of tax base

In practice, taxable income is arrived at by adjusting accounting results for tax purposes. Taxpayers have to keep accounting records in a manner allowing the tax base and the amount of tax payable to be determined. Otherwise, income may be assessed by the tax authorities.

Rates

The standard corporate income tax rate is 19%.

Returns and payments

An annual tax return must be filed and any tax due paid by the end of the third month of the following tax year. Monthly advance payments are required in most cases; however, there is no monthly tax return filing obligation. In certain circumstances, a company may benefit from a simplified advance payment procedure.

Fines and penalty interest may be imposed (at an annual rate calculated as 200% of the lombard credit rate announced by the National Bank of Poland) on the amount of any tax arrears (10% p.a. as of 31 January 2010).

If tax arrears are reported by the taxpayer itself and a corrected tax return is effectively filed (together with an explanation of the reasons) and the tax arrears are paid within 7 days, the taxpayer may apply the reduced penalty interest rate, i.e. 75% of the standard penalty interest rate.

Revenues

Generally, taxable revenues of corporate entities carrying out business are recognised on an accrual basis. As a rule, revenue is recognised on the date when goods or property rights are disposed of or when a service is supplied (or supplied in part), but no later than:

- the invoice issue date, or
- the date payment is received.

If the parties agree that services of a continuous nature are accounted for over reporting periods, revenue is recognised on the last day of the reporting period set out in the contract or on the invoice; in this case, revenue must be reported at least once a year.

The definition of revenues includes free and partially free benefits.

Capital gains

Taxable capital gains are calculated by deducting sale-related costs and expenses from the sale proceeds. They are then aggregated with other sources of income and taxed at the standard tax rate. If the sale price differs substantially from market value, the tax office may require an independent expert valuation. Exemptions may apply under DTTs.

Capital losses are generally deductible from ordinary business income.

A capital gain arising from a contribution in kind made in exchange for the issue of shares will generally carry the liability to recognise revenue at the nominal value of the shares received. In most cases, the revenue will correspond to the fair market value of the assets contributed. In some situations the tax point is deferred until the shares acquired in exchange for the contribution are disposed of, e.g. when:

- a contribution involves an enterprise or an organised part of an enterprise
- shares are contributed to an EEA resident company and, as a result, (i) the shareholding of the acquiring company in the company whose shares are contributed exceeds 50% in terms of voting power, or (ii) the acquiring company increases its shareholding if it held over 50% of the voting power prior to the contribution.

Tax deductible costs linked to contributions in kind vary according to the type of asset contributed.

Dividends, interest, royalties and services

Dividend distributions are generally subject to 19% withholding tax levied on the gross distribution amount, unless a DTT provides otherwise. Income from sharing in profits of corporate entities paid by a Polish company to companies established in Poland or in EEA countries may be exempt from withholding tax where the dividend recipient holds a minimum 10% share in the dividend payer's share capital for at least 2 years. Also, dividends paid to a Swiss parent company may be exempt, though the shareholding threshold in this case is 25%.

The minimum holding period does not have to be fulfilled upfront on the payment date. If the holding period is not fulfilled after payment, the dividend recipient is obliged to pay the withholding tax (at a treaty

rate, if applicable) together with penalty interest. The right to exemption is conditional on the Polish payer being provided with a certificate of tax residence of the dividend recipient.

Interest and royalties are subject to standard tax rates at payee level and are generally deductible for the payer. Payments of interest and royalties to foreign companies are subject to 20% withholding tax unless a DTT provides otherwise and a tax residence certificate is provided.

Poland was granted a transitional period for full implementation of the EU Royalty-Interest Directive. Under the transition rules, until 30 June 2013 the maximum withholding tax rate is 5%, provided that the Royalty-Interest Directive criteria are met, e.g.:

- interest/royalties are paid by a Polish resident company or the permanent establishment of an EU company in Poland
- the beneficiary is subject to income tax on its worldwide income in an EU Member State
- the EU beneficiary and the Polish payer are 'associated companies', e.g.:
  - the EU beneficiary directly holds at least 25% of the Polish payer's shares, or
  - the Polish payer directly holds at least 25% of the EU beneficiary's shares, or
  - a third EU company directly holds at least 25% in the capital of both the EU beneficiary and the Polish payer
- the holding is maintained for an uninterrupted period of at least two years
- the EU beneficiary's tax residence certificate is provided to the Polish payer.

Under the CIT Act, the 20% withholding tax rate also applies to fees paid for certain services (e.g. advisory, accounting, market research, legal assistance, advertising, management and control, data processing, search and selection, guarantees and pledges and other similar services), unless the relevant treaty provides otherwise. Under most DTTs such payments are treated as business income taxable in the taxpayer's country of residence and hence not taxable in Poland, unless attributable to a permanent establishment in Poland.

Coefficients

Where it is impossible to determine the taxable income of foreign entities based on accounting records, the tax authorities may assess taxable income by applying the relevant coefficient for specific revenue categories.
The coefficients are: 5% for wholesale and retail activities performed in Poland (understood as selling goods to Polish recipients irrespective of where the agreement was concluded, unless the relevant DTT provides otherwise), 10% for construction, assembly and transport services, 60% for agency activities, 80% for legal or expert services and 20% for income derived from other sources. Taxable income is then taxed at the standard rate.

Costs

Starting from 1 January 2007, costs incurred for the purpose of generating income, retaining or protecting sources of income are divided into the following categories:

- direct costs (attributable to particular revenues), and
- other (indirect) costs.

Direct costs (attributable to particular revenues) are recognised for tax purposes:

- in the tax year in which the related income was earned, or
- in the tax year following the year for which the financial statements are prepared/ the annual tax return

filed if the costs were incurred after the financial statements are prepared/ the annual tax return is filed for the tax year in which the related income was earned.

Other (indirect) costs are tax deductible on the date they are incurred. If they relate to a period longer than the tax year and it is impossible to determine which part should be attributed to a given tax year they should be allocated pro rata to the length of the period to which they relate.

Depreciation

Assets which have a useful life of more than one year are subject to depreciation.

Tax depreciation is often different from book depreciation. Tax depreciation rates are specified in tax law and cannot be exceeded. Both straight line and reducing balance methods are allowed (the latter applies only to machinery and equipment, except for passenger cars). In certain circumstances, accelerated tax depreciation can be applied. Land is not depreciated.

Examples of annual depreciation rates

Asset	Depreciation rate (%)	Depreciation period
Buildings	2.5	40 years
Office equipment	14	7 years and 2 months
Computers	30	3 years and 4 months
Motor vehicles	20	5 years
Plant and machinery	5 to 20	5 to 20 years

Low value assets (up to PLN 3,500 net) may be written off immediately.

Intangible assets subject to amortisation are:

- certain rights to use real estate
- intellectual property rights and licences
- industrial property rights
- know-how (with the exception of know-how contributed in kind)
- goodwill resulting from the purchase of a business; goodwill on share deals or mergers is excluded from tax amortisation
- certain research and development costs

Intangibles are amortised over a minimal period usually ranging from twelve months (e.g. development costs) to sixty months (e.g. goodwill).

Bad debts

Bad debts, written off as uncollectible, are tax deductible only if they were previously accounted for as revenues for tax purposes. Bad debts are deemed to be uncollectible and may be tax deductible when:

- a decision on uncollectibility issued by a court execution officer is approved by the creditor as reflecting the actual situation
- the court decides on (i) dismissal of request for bankruptcy where the debtor's assets are insufficient to cover the costs of proceedings, (ii) the discontinuation of bankruptcy proceedings for the same reason or (iii) the completion of the proceedings
- the taxpayer files a statement to the effect that the projected costs of court or enforcement proceedings will exceed the amount of claims.

Debts are considered uncollectible and therefore an impairment write-down on receivables may be recognised as a tax deductible cost when:

- a debtor dies or is removed from the appropriate register or is put into liquidation or declared bankrupt
- a debtor has filed for arrangement or bankruptcy proceedings and they have been initiated
- a debt has been confirmed by a court decision and is subject to enforcement
- a debt is questioned by the debtor in court claim.

There are special rules on bad debt provisions for banks.

Thin capitalisation

Interest due on a loan extended by a related party (a sister company 25% of which is held by the same parent or a shareholder holding at least 25% of share capital in terms of voting power) is not recognised as a tax deductible cost when the debt-to-equity ratio exceeds 3:1 in the portion in which the loan exceeds this ratio. For thin capitalisation purposes, a "loan" is widely understood as any kind of debt claim including debt securities and certain deposits. In certain cases, a debt towards an entity holding 25% of shares in the parent company is taken into account when calculating total indebtedness. Also, share capital is restrictively defined for the thin capitalisation purposes.

Others

There are certain exceptions to the matching concept, e.g. interest or foreign exchange gains/losses are generally taxable/deductible when settled. Certain expenditures are not tax deductible, e.g.:

- certain penalties and fines
- accrued interest payable
- provisions, with some exceptions
- expenditure on benefits granted to supervisory board members (excluding remuneration) or shareholders
- expenditure incurred in excess of the statutory limit (e.g. depreciation charges and insurance of passenger cars valued over € 20,000)
- representation expenses.

Losses

Tax losses suffered by a corporate income taxpayer may be carried forward and set off against income over the five following tax years up to half the cumulated loss per year. Losses cannot be carried back.

Withholding tax

The standard withholding tax rate is 19% on dividends and 20% on interest and royalties. The rate may be reduced *inter alia* under a DTT upon presentation of a certificate of tax residence. The table below shows the withholding tax rates under Polish DTTs.

Withholding tax rates under Poland's tax treaties (%)

	Dividends (%)	Interest (%)	Royalties (%)
Albania	5/10 (d)	10	5
Algeria (gg)	5/15 (d)	0/10 (k)	10
Armenia	10	5	10
Australia	15	10	10
Austria	5/15 (a)	0/5 (k)	5
Azerbaijan	10	10	10
Bangladesh	10/15 (a)	0/10 (k)	10
Belarus	10/15 (e)	10	0
Belgium	5/15 (cc)	0/5 (k)	5
Bulgaria	10	0/10 (k)	5
Canada	15	0/15 (k)	0/10 (f)
Chile	5/15 (c)	15 (dd)	5/15 (h) (ee)
China	10	0/10 (k)	7/10 (h)
Croatia	5/15 (d)	0/10 (k)	10
Cyprus	10	0/10 (k)	5
Czech Republic	5/10 (c)	0/10 (k)	5
Denmark	0/5/15 (s)	0/5 (k)	5
Egypt	12	0/12 (k)	12
Estonia	5/15 (d)	0/10 (k)	10
Finland	5/15 (d)	0	0/10 (f)
France	5/15 (a)	0	0/10 (p)
Georgia	10	0/8 (k) 8	
Germany	5/15 (a)	0/5 (k)	5
Greece	19	10	10
Hungary	10	0/10 (k)	10
Iceland	5/15 (d)	0/10 (k)	10
India	15	0/15 (k)	20 (bb)
Indonesia	10/15 (c)	0/10 (k)	15
Iran	7	0/10 (k)	10
Ireland	0/15 (d)	0/10 (k)	0/10 (v)
Israel	5/10 (b)	5	5/10 (h)
Italy	10	0/10 (k)	10
Japan	10	0/10 (k)	0/10 (i)
Jordan	10	0/10 (k)	10

	Dividends (%)	Interest (%)	Royalties (%)
Kazakhstan	10/15 (c)	0/10 (k)	10
Korea	5/10 (a)	0/10 (k)	10
Kuwait	0/5 (z)	0/5 (k)	15
Kyrgyzstan	10	0/10 (k)	10
Latvia	5/15 (d)	0/10 (k)	10
Lebanon	5	0/5 (k)	5
Lithuania	5/15 (d)	0/10 (k)	10
Luxembourg	5/15 (d)	0/10 (k)	10
Macedonia	5/15 (d)	0/10 (k)	10
Malaysia	0	15	15
Malta	5/15 (c)	0/10 (k)	10
Mexico	5/15 (d)	0/5/15 (k) (aa)	10
Moldova	5/15 (d)	0/10 (k)	10
Mongolia	10	0/10 (k)	5
Morocco	7/15 (d)	10	10
Netherlands	5/15 (a)	0/5 (k)	5
New Zealand	15	10	10
Nigeria (gg)	10	0/10 (k)	10
Norway	5/15 (d)	0	0/10 (f)
Pakistan	15 (j)	0/20 (k)	15/20 (n)
Philippines	10/15 (d)	0/10 (k)	15
Portugal	10/15 (o)	0/10 (k)	10
Qatar	5	0/5 (hh)	5
Romania	5/15 (d)	0/10 (k)	10
Russian Federation	10	0/10 (k)	10 (w)
Singapore	0/10 (r)	0/10 (k)	10
Slovak Republic	5/10 (c)	0/10 (k)	5
Slovenia	5/15 (d)	0/10 (k)	10
South Africa	5/15 (d)	0/10 (k)	10
Spain	5/15 (d)	0	0/10 (f)
Sri Lanka	15	0/10 (k)	0/10 (l)
Sweden	5/15 (d)	0	5
Switzerland	5/15 (d)	10	0 (y)
Syria	10	0/10 (k)	18

	Dividends (%)	Interest (%)	Royalties (%)
Tajikistan	5/15 (d)	10	10
Thailand	19 (t)	0/10/20 (k) (m)	5/15 (f)
Tunisia	5/10 (d)	12	12
Turkey	10/15 (d)	0/10 (k)	10
Ukraine	5/15 (d)	0/10 (k)	10
United Arab Emirates	0/5 (z)	0/5 (k)	5
United Kingdom	0/10 (ff)	5	5
United States	5/15 (g)	0	10
Uruguay (gg)	15	0/15 (k)	15
Uzbekistan	5/15 (c)	0/10 (k)	10
Vietnam	10/15 (d)	10	10/15 (q)
Yugoslavia (u)	5/15 (d)	10	10
Zimbabwe	10/15 (d)	10	10
Non treaty countries	19	20	20 (x)

(a) The lower rate applies if the dividend recipient is a company that owns at least 10% of the payer.
(b) The lower rate applies if the dividend recipient is a company that owns at least 15% of the payer.
(c) The lower rate applies if the dividend recipient is a company that owns at least 20% of the payer.
(d) The lower rate applies if the dividend recipient is a company that owns at least 25% of the payer. Under the Ireland treaty, if Ireland levies tax at source on dividends, the 0% rate is replaced by a rate of 5%.
(e) The lower rate applies if the dividend recipient is a company that owns more than 30% of the payer.
(f) The lower rate applies to royalties paid for copyrights, among other items; the higher rate applies to royalties for patents, trademarks and industrial, commercial or scientific equipment or information.
(g) The lower rate applies if the dividend recipient is a company that owns at least 10% of the voting shares of the payer.
(h) The lower rate applies to royalties paid for the use of, or the right to use, industrial, commercial or scientific equipment.
(i) The lower rate applies to so-called "cultural" royalties.
(j) This rate applies if the dividend recipient is a company that owns at least one-third of the payer.
(k) The 0% rate applies to, among other items, interest paid to government units, local authorities and central banks. In certain countries, the rate also applies to banks (the list of exempt or preferred recipients varies by country). The relevant treaty should be consulted in all cases.
(l) The 0% rate applies to royalties paid for, among other items, copyrights. The 10% rate applies to royalties paid for patents, trademarks and for industrial, commercial or scientific equipment or information.
(m) The 20% rate applies if the interest recipient is not a financial or insurance institution or a government unit.

(n) The lower rate applies to know-how; the higher rate applies to copyrights, patents and trademarks.
(o) The 10% rate applies if, on the dividend payment date, the dividend recipient has owned at least 25% of the share capital of the payer for an uninterrupted period of minimum two years. The 15% rate applies to other dividends.
(p) The lower rate applies to royalties paid for the following: copyrights: the use of, or the right to use, industrial, commercial and scientific equipment; services comprising of scientific or technical studies; or research and advisory, supervisory or management services. The treaty should be checked in all cases.
(q) The lower rate applies to know-how, patents and trademarks.
(r) The lower rate applies to certain dividends paid to government units or companies.
(s) The 0% rate applies if the beneficial owner of the dividends is a company that holds directly at least 25% of the capital of the dividend payer for at least one year and if the dividends are declared within this holding period. The 5% rate applies to dividends paid to pension funds or other similar institutions operating in the pension system field. The 15% rate applies to other dividends.
(t) As the rate under Polish domestic law is 19%, the treaty rate of 20% does not apply.
(u) The treaty with the Federal Republic of Yugoslavia applies to the Republic of Serbia and the Republic of Montenegro.
(v) Lower rate applies to fees for technical services.
(w) 10% rate also applies to fees for technical services.
(x) 20% rate also applies to certain services (e.g. advisory, accounting, market research, legal assistance, advertising, management and control, data processing, search and selection, guarantees and pledges and similar services).
(y) Rate is 10% if Switzerland imposes withholding tax on royalties paid to non-residents (there is currently no such tax in Switzerland).
(z) Lower rate applies if dividend owner is the government or a government institution.
(aa) 5% rate applies to interest paid to banks and insurance companies and to interest on bonds.
(bb) As rate under Polish domestic law is 20%, treaty rate of 22.5% does not apply.
(cc) Lower rate applies if dividend recipient is a company that:
- owns at least 25% of the payer's shares, or
- owns at least 10% of the payer's shares, provided the value of the investment is at least € 500,000 or equivalent.

(dd) Treaty rate is 15% for all types of interest. However, under the most-favoured-nation clause in a protocol to the treaty, the 15% rate is replaced by the more favourable rate which was agreed to in any treaty that Chile entered into with another jurisdiction. For example, under Chile's tax treaty with Spain, a 5% rate applies to certain types of interest payments, including interest paid to banks or insurance companies or interest derived from bonds or securities that are regularly and substantially traded on a recognised securities market.
(ee) General treaty rate for royalties is 15%. However, under the most-favoured-nation clause in a protocol to the treaty, the 15% rate is replaced by the more favourable rate which was agreed to in any treaty that Chile entered into with another jurisdiction. For example, under Chile's tax treaty with Spain, the general withholding tax rate for royalties is 10%.
(ff) The 0% rate applies if the beneficial owner of the dividends is a company that holds at least 10% of the share capital of the dividend payer for an uninterrupted period of at least two years.
(gg) The ratification procedure has not yet been completed. Therefore, the treaty has not yet entered into force.
(hh) The lower rate applies to interest:
- paid to the beneficial owner inany of the states
- paid on any loan granted, secured or guaranteed by any public institution for export development purposes
- related to credit sale of any industrial, commercial or scientific equipment, or
- related to any loan granted by a bank.

Investment tax incentives

Special Economic Zones (SEZs)

In principle, companies operating in SEZs may enjoy tax holidays, which involve tax exemption from corporate income tax depending on the amount invested in the SEZ or the labour costs of newly created jobs. Benefiting from tax exemption is possible only if the investor obtains a special permit issued by the SEZ authorities. Regulations applicable to a particular SEZ specify the minimum investment required and the number of employees that must be hired to benefit from the tax exemption.

From April 2005 shared service centres providing services such as accounting, bookkeeping and call centres can be located in SEZs and consequently can benefit from corporate tax exemption. In the case of large companies the tax exemption is up to 50% of eligible investment expenditures or up to 50% of two years' gross labour costs of newly created job. These limits are increased by an additional 20 percentage points (up to 70%) for small enterprises and 10 percentage points (up to 60%) for medium enterprises.

Technology Incentive

When acquiring specifically defined "new technology", the taxpayer may immediately deduct 50% of the acquisition costs from its tax base. This deduction does not decrease the amortisation basis.

Research & Development Centres

The taxpayer may apply for the status of "R&D centre" and allocate up to 20% of its monthly revenue (sales) to an "innovation fund". The amount allocated to the fund is classified as a tax deductible cost and must be fully spent for listed purposes. Specific formal and factual conditions must be met.

Individual application

In some circumstances, the taxpayer may also apply to the tax authorities for an individual decision which may result in:

- deferred tax payment
- tax liability spread into instalments
- partial or full waiver of tax arrears.

The application is based on various EU state aid regulations. The decision is made entirely at the tax authorities' discretion.

Transfer pricing

Poland has implemented transfer pricing rules based on the arm's length principle. Where an individual or a corporate entity participates (directly or indirectly) in the management or control of, or holds at least 5% of shares in, another corporate entity and the entities do not comply with the arm's length principle, transfer pricing restrictions may be applied. When an individual or a corporate entity takes part (directly or indirectly) in the management or control of, or holds stocks in multiple entities, these restrictions also apply to transactions between these entities.

In such cases, the tax authorities may assess and adjust the taxpayer's profit using the following methods: comparable uncontrolled price method, resale price method, reasonable margin (cost plus) method, or transaction profit methods. Poland generally follows the OECD's Transfer Pricing Guidelines with respect to profit assessment methods. However, Polish formal documentation requirements for transactions with related companies and the penalty regime for transfer pricing adjustments are relatively restrictive.

As the deadline for submitting transfer pricing documentation is short (seven days from the request date), from a practical viewpoint, taxpayers should prepare the documentation while the transaction is being carried out. If the tax authorities or tax inspection authorities assess a taxpayer's income at an amount higher (or loss at an amount lower) than that declared by the taxpayer in connection with a transaction and the taxpayer fails to submit the required documentation, any additional income assessed as a result of a TP adjustment will be taxed at a penalty rate of 50%.

Payments to tax havens

The requirement to prepare documentation also applies to transactions in which payment is made directly or indirectly to an entity whose residence, registered office or place of management is situated in a territory or a country that pursues harmful tax competition practices (so-called "tax havens"), even if the entity based in a tax haven is not a related party. The Minister of Finance has published a list of countries and territories pursuing harmful tax competition policies.

Advanced Pricing Agreements (APAs)

As of 1 January 2006, APAs are available in Poland. Under Polish regulations, three types of APA are possible:

- domestic agreement
- bilateral agreement
- multilateral agreement.

The main benefit for the taxpayer in obtaining an APA is that the tax authorities approve the method used to calculate a transfer price in a transaction. APAs in Poland are entered into for a maximum period of 5 years and can be extended. They may apply to a planned transaction which will be concluded after the application for the APA has been filed or a transaction that has already been concluded and is currently in progress.

Polish APA regulations place no restrictions on the value of the transaction to be covered by the APA. However, when applying for an APA, the taxpayer generally has to pay a fee of 1% of the transaction value. Fee limits are specified in Polish APA regulations and are as follows:

- for a domestic APA the minimum fee is PLN 5,000 and the maximum is PLN 50,000
- for a bilateral APA the minimum fee is PLN 20,000 and the maximum is PLN 100,000
- for a multilateral APA the minimum fee is PLN 50,000 and the maximum is PLN 200,000.

An APA decision is issued as soon as possible and the procedure will not exceed:

- 6 months – for domestic APAs
- 12 months – for bilateral APAs
- 18 months – for multilateral APAs.

4.2. Personal Income Tax

Individuals who are domiciled (resident) in Poland pay tax on their worldwide income.

Under an amendment to the law (in force since 2007), an individual is deemed to be tax resident in Poland if:

- His/her centre of vital interests is in Poland, or
- He/she stays in Poland for more than 183 days in a tax year.

Limited taxation (e.g. on Polish source income only) applies to those individuals who are not domiciled (resident) in Poland.

Income tax is payable on most sources of income, including cash and in-kind benefits, which are taxable as salary. One of the exceptions is relocation costs, which may be reimbursed at up to twice the person's monthly salary in the month of relocation, which is tax free.

Interest income from personal, e.g. non-business, bank accounts and income from dividends are subject to 19% withholding tax and are not further taxed.

The above flat rates apply unless a DTT provides for a reduced tax rate or excludes Poland's right to tax. In order to benefit from treaty regulations, an individual must, however, provide the interest/dividend payer with a certificate of foreign residence. Capital gains on the sale of shares are also subject to 19% tax, while gains earned on the disposal of other assets may be taxed as normal income. There are certain exceptions and exemptions, including the sale of movable property held for longer than six months, which are tax free. In the case of the sale of real estate acquired or built after 2007, income (proceeds less costs) is taxed at 19%, unless a specific exemption applies (e.g. to real estate held for more than five years). As of 2009, personal income tax rates and tax brackets changed.

Current standard tax brackets are as follows:

Personal income tax rates

Tax assessment basis in PLN	Tax rate
up to 85,528	18% of assessment basis minus 556.02
over 85,528	14,839.02 + 32% of any amount exceeding 85,528

Note: Cumulative tax is shown net of the annual tax credit of PLN 556.02 (see Deductions and exemptions).

For some individuals (e.g. the self-employed or members of civil partnerships) a flat 19% tax rate is available if certain conditions are met.

Special rules for expatriates

Tax non residents in Poland (individuals with limited liability for Polish tax) will be taxable solely on income received in connection with the performance of duties in Poland or from Polish sources. For those who qualify for limited tax liability, income from board duties (under certain conditions) and Polish civil contracts such as personal services contracts or specific task agreements may be taxed at a flat rate of 20%. In such cases, no deductions are available.

Social security contributions

Social security contributions for pension and disability are paid by the employee and by the employer only up to an annual cumulative earnings limit. In 2010 the limit is PLN 94,380. The other social security contributions (2.45% to be paid by the employee and 0.67%–3.33% to be paid by the employer) are payable irrespective of the earnings amount. See social security rates below.

In addition to the above social security contributions, the employer pays 2.45% of the calculation base to the Labour Fund and 0.1% of the calculation base to the Guaranteed Employee Benefits Fund.

Healthcare contribution

The healthcare contribution is 9% (in 2010) of employment income less the employee social security contribution assessed. The healthcare contribution can be deducted from tax on employment income at up to 7.75% of the calculation basis. Consequently, the remaining part of the healthcare contribution (1.25% of the assessment basis) is left as an additional non-deductible cost (decreasing after-tax income).

In general, for individuals working under personal service contracts, contributions are computed in a similar

way as for employment income, e.g. payable at the same rates, allocated between the service provider and the principal as between employee and employer and subject to the same limits, or uncapped as appropriate. In certain cases, it may be possible to avoid payment of sickness and accident insurance. If a personal service contract is concluded with an employer, social security is payable as in the case of an employment contract.

Where an individual has concluded a contract with a third party and already pays contributions in respect of, e.g. an employment contract, payment of contributions for the personal service contract is voluntary unless the work is performed for the ultimate benefit of the original employer. However, in general, remuneration under a full-time employment contract must be PLN 1,317 per month or higher (in 2010).

Since Poland's accession to the EU on 1 May 2004, European social security regulations apply. The general rule is that contributions are paid to the social security system of the country where the work is actually performed.

Deductions and exemptions

A deduction of PLN 111.25 per month is available in respect of expenses associated with earning employment income. Those with more than one employment are entitled to an increased deduction of up to 1.5 times the maximum. An additional increase in expenses is available if the taxpayer lives in a place other than the place of work. An annual tax credit of PLN 556.02 is available to all individuals who have a taxable presence in Poland.

Married couples are entitled to the allowance, regardless of whether they are taxed separately or jointly. Parents raising children may benefit from an annual tax allowance of PLN 1,112.04 (in 2010) per child. However, this tax allowance is calculated proportionally to the number of months the child has been staying with the parents.

Under amendments to the Personal Income Tax Act, new provisions apply to deductions of mandatory employee financed social security and healthcare contributions paid abroad within the EU, the EEA and Switzerland. However, there are several exceptions: contributions cannot be deducted from income or tax in another EU or EEA country or Switzerland and the taxpayer needs to prove the amount of contributions paid, calculation basis and applied rate.

Social security contributions as a percentage of the calculation base and how they are financed [%]

Social security contribution	Contribution as a percentage of the calculation base	Financed by	
		Employer	Employee
Pension	19.52	9.76	9.76
Disability	6.00	4.50	1.50
Sickness	2.45		2.45
Industrial injury	0.67-3.33*	0.67-3.33	
Total in 2010	28.64-31.30	14.93-17.59	13.71

* The level of contribution to industrial injury insurance is generally established yearly. The contribution ranges from 0.67 to 3.33 per cent of the calculation base, depending on the type of business.

Additionally, under the Abolition Act that came into force on 6 August 2008 and consequent amendments to the Personal Income Tax Act as of 1 January 2009, there is a possibility of deduction of the difference between tax obligations calculated based on the foreign tax credit method versus exemption with progression scenario. This deduction can as a rule be made by Polish individuals receiving income for work in foreign countries with which Poland has signed a DTT specifying the credit method as the double taxation avoidance method or if there is no DTT.

Individuals working under Polish civil contracts (but not expatriates with limited tax liability or those with management contracts) may deduct 20% of their income as tax costs, irrespective of whether these costs are actually incurred.

Higher deductions are available to individuals working under Polish civil contracts if their actual expenses are higher than 20%. Certain activities, e.g. exploiting a copyright, attract a 50% deduction.

Returns and payments

Polish employers must withhold tax from their employees' taxable salary and remit it to the tax office by the 20th day of the month following the month of payment. However, employers may not be required to withhold tax prepayments from income paid to employees for work abroad if this income is or would be taxed outside Poland. In this case, tax prepayments are withheld on the employee's request. In certain cases, employees may opt for the employer to file their annual tax return and settle any outstanding liability through an adjustment to the subsequent year's withholdings.

Self-employed individuals, who work in Poland, or expatriates and those paid by a foreign entity, are personally responsible for paying monthly tax advances, generally by the 20th day of the following month.

An annual return disclosing all income sources and showing any additional tax payable must normally be filed (and the tax due paid) by 30 April of the following year.

Self-employed individuals benefiting from a flat tax rate are obliged to file their annual return by 31 January or 30 April, depending on the taxation method applicable to their income. A separate annual tax return should be filed for capital gains (e.g. on the sale of shares). Married tax resident couples may file joint returns. Their tax liability is then calculated on half the total income and multiplied by two. Joint returns may also be filed, provided (among other conditions) that one or both spouses are tax residents of another EU/EEA country or Switzerland (and are able to prove it by attaching a tax residence certificate to the Polish tax return by 30 April at the latest) and that they receive at least 75% of their income from Polish sources. This regime can also be applied provided there is a provision in a DTT/international agreement allowing exchange of information between the relevant tax authorities.

Expatriates who qualify for limited tax liability do not have to report income taxed at the 20% flat rate in their annual return, as this is the final tax liability.

Disclosure requirements

Disclosure requirements apply to entities that benefit from work or services provided by non residents individuals within the meaning of the currency law. In a situation where the remuneration of such persons is paid by non-residents (e.g. by a foreign company), the Polish entity using such work or services will be required to collect, prepare and disclose information concerning the remuneration for work or services provided to it.

The requirement arise if:

- in connection with tax treaties and other international agreements ratified by Poland, it may affect the tax obligation or tax liability of persons receiving the remuneration
- a non-resident participates, directly or indirectly, in the management or control of an entity subject to the duty of disclosure, or holds an interest in such an entity's share capital, to which at least 5% of all voting rights are attached.

The above information (ORD-W1) should be disclosed without a prior request from the tax authorities by the last day of the month following the month in which the non-resident started providing services (working).

4.3. Value Added Tax (VAT)

General

Value added tax was introduced in Poland in 1993. The first attempts to bring the country's VAT system into line with Community regulations were made prior to Poland's entry into the European Union. The final step to ensure compliance was taken on 1 May 2004, when a new VAT Act came into force. However, based on the Accession Treaty, there are several derogations as far as harmonisation is concerned.

Scope of VAT

Under Polish VAT regulations, VAT is payable on the following transactions:

- supply of goods and services in Poland for consideration. Supply of goods includes the handing over by a taxpayer of business-related goods for non business-related purposes, e.g. donations. However, VAT is not payable on a supply of samples, small gifts and printed advertising and informational materials
- export of goods from outside the EU/ import of goods from outside the EU
- intra-Community acquisition of goods (from the EU) carried out for consideration in Poland; this includes the movement of goods between different Member States within the same business
- intra-Community supply of goods (to the EU); this includes the movement of goods between different Member States within the same business.

Events which fall outside the scope of VAT include the sale of a business or an organised part thereof.

Taxpayers

Taxpayers are legal entities, unincorporated organisational units, and individuals that independently carry on business activity, regardless of the purpose or the effect of such activity. The use of the word "independently" means that employees under employment contracts are not subject to VAT. Other persons rendering services under *ad-hoc* agreements also fall outside the scope of VAT provided they are bound to the employer by an employment contract or by any other legal ties creating a legal relationship with regard to working conditions, remuneration and employer's liability.

VAT is paid by entities that are recipients of services rendered or goods supplied by taxpayers that do not have their registered office, fixed place of business, or place of residence in Poland.

VAT is also paid by entities:

- performing intra-Community supplies of new means of transport
- carrying out intra-Community acquisitions in Poland, or
- performing distance sales to Polish customers in excess of the threshold of PLN 160,000.

Public bodies that act within the scope of their normal activities are not considered taxpayers.

VAT registration

Entities that perform activities subject to VAT in Poland are obliged to register for VAT before undertaking their first taxable activity. Upon VAT registration they gain the status of active VAT payers.

Taxpayers that are eligible for VAT exemption with no right to deduct input VAT (activity- or entity-related) may register for VAT. They then receive confirmation from the tax office that they are registered as exempt VAT payers. Taxpayers must notify the Polish tax authorities in advance if they intend to carry out intra-Community transactions. On the basis of this notification, the entity is registered as an EU VAT payer. Taxpayers whose net amount of taxable sales did not exceed PLN 100,000 in the previous year are exempt from VAT. Similarly, taxpayers that start to make taxable sales during the tax year are exempt from VAT if the expected net amount of their taxable sales in a corresponding fraction does not exceed PLN 100,000. Taxpayers can, however, opt for taxation provided they notify the relevant tax office of their intention.

Fiscal representative

VAT payers that have no registered office, fixed place of business or place of residence in Poland or other EU country are obliged to appoint a fiscal representative.

The fiscal representative is jointly liable with the business it represents for all Polish tax liabilities.

Place of supply rules

Place of supply of goods is considered:

- the place where the goods are at the time of dispatch or transport to the purchaser
- the place of installation or assembly
- the place where the goods are at the time of delivery (if they are not dispatched or transported)
- as regards the delivery of goods on board ships, planes or trains – the place where the passenger transport starts
- the country of import.

The place of intra-Community acquisition is generally the place where the transport or dispatch ends.

In principle, the place of supply of services to a taxable person is the place where the customer has its business or fixed place of business or place of residence. However, there are special rules on place of supply of, e.g.:

- services connected with real property – place of supply is where the property is situated
- passenger transport services – place of supply is the place where the transport takes place, having regard to distances covered.

The place of supply of services to a non-taxable person is the place where the supplier has its business or has a fixed place located in a place other than the place where he has established his business from which the service is supplied or, in the absence of such place of business or fixed place, the place where he has his permanent address or usually resides. However, the place of supply of intangible services, e. g. consultancy, advertising, electronic services, is the place of establishment of the customer provided that the customer is a taxpayer established in a third country.

VAT rates and taxable base

In Poland, there are three VAT rates: the standard rate of 22%, and reduced rates of 7% and of 0%. The standard rate applies to all supplies of goods or services, unless a specific provision allows a reduced rate or exemption. As an example, the 7% VAT rate applies to healthcare related goods and hotel services.

Zero-rated supplies include exports of goods outside the European Union and intra-Community supplies of goods. In addition, and only during the transitional period, e.g. to 31 December 2010, the super-reduced VAT rate of 3% may be applied to foodstuffs.
Under the VAT Act, some supplies are exempt (no right to deduct input VAT), e.g. supplies of financial, educational or healthcare services and supplies of buildings or parts thereof.

The taxable base for VAT purposes is net turnover, including any subsidies, grants and other payments of a similar nature related to the supply of goods or services, less any rebates and discounts.

When importing goods, the taxable base is the customs value plus any customs and excise duties, including provision, packaging, transport and insurance costs incurred up to the first destination in Poland. The taxable base for intra-Community acquisition of goods is the payment due from the purchaser, inclusive of taxes and duties paid in connection with acquiring the goods and the costs of provision, packaging, transport and insurance collected by the seller.

Tax point

General rules

In principle, under Polish VAT regulations the tax point arises when the goods are released or the services are completed.

Where a transaction should be documented with a VAT invoice, the tax point is when the invoice is issued, but no later than on the 7th day from the goods being released or services being completed. However, for selected supplies (e.g. electricity, telecommunications, transport, leasing or printing) the tax point is deemed to arise at a different point (usually the payment deadline or payment receipt).

Prepayments

The tax point for an advance payment or prepayment received before goods are released or services completed is the payment receipt date.

Exported goods

The tax point is set according to general rules.

Imported goods

The tax point for imported goods is usually the date the customs debt arises.

Intra-Community acquisition

The tax point for an intra-Community acquisition of goods is the 15th day of the month following that in which the goods subject to intra-Community acquisition are supplied. However, if the supplier issues an invoice prior to this deadline, the tax point arises when the invoice is issued.

Intra-Community supply

The tax point for an intra-Community supply of goods is the 15th day of the month following that in which the supply is made. If the taxpayer issues an invoice prior to this deadline, the tax point arises when the invoice is issued.

Recovery of input VAT

General rules

A taxpayer may recover input tax, e.g. the VAT paid on goods and services supplied and used in the taxpayer's taxable activity, by deducting it from output tax, e.g. the VAT charged on supplies made.

Input tax includes:

- VAT paid on goods and services supplied within Poland
- VAT paid on imports
- VAT self-assessed on an intra-Community acquisitions of goods
- VAT self-assessed on purchases of goods and services taxed under the reverse charge mechanism.

Input tax on, e.g. the purchase of fuel, diesel or gas used for passenger cars or on restaurant services, cannot be recovered. In the case of the purchase or lease of a passenger car, recovery of input VAT can in certain cases be limited.

Input tax directly related to exempt supplies is generally not recoverable (but it can, under certain conditions, be deducted as a cost for corporate income tax purposes), except for input tax on financial services rendered to entities established outside the EU.

Partial recovery

If a taxpayer makes both exempt and taxable supplies and it cannot allocate its input VAT accordingly, it cannot recover input VAT in full. To determine the amount of VAT that can be recovered in this situation, the taxpayer calculates the tax as the proportion of turnover of taxable supplies in total turnover. The proportion is then adjusted at the end of the tax year. In connection to this, capital goods adjustments are required to be made with respect to fixed assets (adjusted for a period of five years) and real property (adjusted for a period of ten years).

VAT refund

Excess input VAT can either be carried forward and deducted from future VAT liabilities or refunded. Refunds are generally made within 60 days. In certain circumstances this period can be shortened to 25 days. Where a company does not perform taxable activities in a given period, the refund period is extended to 180 days.

VAT returns, EC Sales Listings and INTRASTAT reporting

As a rule VAT returns are filed on a monthly or quarterly basis. VAT returns and full payment of the VAT due must be made by the 25th day of the month following the month (quarter) in which the tax point arose. In addition, the taxpayers who opt to file VAT returns quarterly are required to make the advance payments no later than the 25th day of the month following the first and second month of the quarter.

The advance payment is equal to 1/3 of the tax liability for the previous quarter. Taxpayers who supply services to individuals not involved in business activity are obliged to maintain and operate cash registers under special rules.

All taxable persons making intra-Community supplies and intra-Community acquisitions of goods or making intra-Community supplies of services must file a monthly or quarterly recapitulative statement (EC Sales List) with the tax office by the 15th day of the month following the end of the month or quarter (if made on paper) or by the 25th day of the month following the end of the month or quarter (if made electronically). Taxpayers who trade in goods with other EU countries must also

complete statistical reports (INTRASTAT) on a monthly basis. Separate statistical reports are required for intra-Community acquisitions (INTRASTAT Arrivals) and for intra-Community supplies (INTRASTAT Dispatches). The submission deadline is the 10th day of the month following that in which the transaction should be declared (e.g. the month of physical movement of goods).

Special procedures under Polish VAT regulations

Special rules apply to:

- small entrepreneurs
- flat-rate farmers
- supply of tourist services
- supply of second-hand goods, works of art, collectors' items and antiques
- gold investments
- tax refunds for tourists
- foreign entities supplying electronic services to non-taxpayers within the EU.

4.4. Customs and Excise

Customs duty

On 1 May 2004, Poland joined the European Union and became part of the Customs Union. This led to the abolition of physical and fiscal barriers between Poland and other EU Member States (e.g. customs controls and duties). The classification of transactions involving the transfer of goods between Poland and other EU Member States changed for tax purposes from import and export (subject to customs provisions) to respectively intra-Community acquisitions and intra-Community supplies (neutral from a customs perspective).

Customs arrangements ceased to apply to such transactions as they started to be treated as intra-Community trade. Moreover, on 1 January 2008, Poland joined the Schengen zone, which means that all border posts and checks between Poland and other states forming the Schengen zone have been removed, thus enabling the free movement of goods without customs checks.

Transfers of goods between Poland and non-EU countries have retained their import-export character (subject to customs provisions). However, they are now subject to uniform Community customs rules; as of 1 May 2004 almost all Polish customs provisions were replaced with the relevant EU regulations, including the Community Customs Code, the Community Customs Tariff and implementing provisions. As a result, the import and export of goods in Poland are subject to the same rules as in any other EU Member State.

Local practice

With the introduction of the Community Customs Tariff in Poland, the overall level of duty rates has been significantly reduced. Any free-trade agreements to which Poland was a party were terminated prior to EU accession and replaced by the free-trade agreements concluded by the EU and the Generalised System of Preferences (GSP), under which reduced duty rates apply to goods imported from underdeveloped and least developed countries (owing to the GSP, goods coming from some 150 countries benefit from preferential customs treatment).

Also, any decisions on tariff quotas or customs suspensions applicable to goods imported to Poland are now taken at Community level.

However, technical and procedural aspects of the customs system are still regulated by Polish provisions. This often has a significant effect on traders' businesses. It should also be noted that the way the EU Member States' customs authorities apply customs law is somewhat different across the EU. Some countries have a more flexible approach, while others are more inclined to adhere to a strict interpretation of Community customs law. The second approach is more relevant for Poland. However, this attitude is also changing, as the Polish customs authorities are becoming more and more experienced in the application of EU customs regulations.

Tariff databases

Information on duty rates, tariff preferences and quotas, customs suspensions and anti-dumping measures applicable to goods imported to Poland can be found in the TARIC (the Integrated Community Tariff) – an online customs tariff database.

The Polish Ministry of Finance (Customs Department) also maintains a Polish tariff browser – ISZTAR – which integrates data from the TARIC (goods nomenclature, duty rates, restrictions, tariff quotas, tariff ceilings, suspensions) and national data (VAT, excise duty, national restrictions and non-tariff measures not integrated in the TARIC). However, ISZTAR is a web browser and the data contained therein is not binding on economic operators and customs authorities. It means that all customs duty rates need to be checked in the Common Customs Tariff published in the Official Journal of the European Union.

AEO

On 1 January 2008, the implementing provisions for the Authorised Economic Operator (AEO) concept came into effect (e.g. from that date traders could apply for an AEO certificate). This initiative is intended to give trusted traders easier access to customs simplifications and to benefit from simplifications in respect of physical and document-based checks (e.g. less control, prior notification and choice of place of control).

In order to obtain an AEO certificate, traders need to undergo an audit to examine whether they fulfil the criteria of customs compliance, appropriate record-keeping standards, and financial solvency, and whether they have appropriate security and safety standards. An important point to note is that an AEO certificate granted in one EU Member State is recognised in the other Member States.

AEO guidelines and self-assessment forms used by the Polish customs authorities are available on the Polish Ministry of Finance website (www.mf.gov.pl). Even though traders are showing an interest in AEO certificates, the Polish customs administration is still developing its approach to the AEO certification process. The first AEO certificate was issued in Poland on 3 November 2008. It is worth mentioning that the customs authorities are starting to provide more and more tangible benefits to AEO businesses, such as a reduction in customs and related guarantees, a requirement to meet AEO criteria for customs simplified procedures to be approved or renewed. Thus interest in obtaining AEO certificates is growing.

SASP

On 1 January 2009, the implementing provisions for the Single Authorisations for Simplified Procedures (SASP) came into effect. SASP, formerly known as Single European Authorisations (SEA), is currently a scheme that enables an economic operator to be authorised in one Member State for all their non-EC import and export freight operations throughout the Community.

This enables economic operators to centralise the accounting and payment of customs duties for all transactions in the authorising Member State, although the actual control and release of goods may take place in another Member State.

This approach has not proved possible for Value Added Tax (VAT). This is because VAT is a destination-based tax and has to be accounted for in the Member State where the goods are 'consumed'. Similarly, the provision of trade statistics will also continue to be based on the actual location of the goods.

In order to obtain a SASP, traders need to submit a request to the customs authorities. As a SASP enables export and import operations to be carried out within more than one Member State, granting the authorisation is associated with a consultancy procedure covering all the Member States involved (where goods are placed during export or import).

Together with the implementation of SASP rules, the criteria for authorisation being granted for a simplified customs procedure have been tightened and depend on AEO criteria being met. As a result, it is easier for traders who already have an AEO certificate to obtain authorisation, whereas traders with no AEO certificate have to fulfil AEO criteria prior to being granted a SASP. It should also be noted that authorisations for simplified customs procedures granted before 1 January 2009 will be subject to a customs authority audit to check if the authorised entities fulfil AEO criteria.

Excise duty

On 1 March 2009, a new Excise Duty Act and its implementing provisions entered into force. The New Excise Duty Act brings Polish legislation into line with EU provisions. However, there are still some areas where Polish legislation does not comply with EU regulations.

The New Excise Duty Act introduced a new system of exemptions, involving unified exemption criteria and more restrictive exemption criteria, e.g. compulsory registration of entities using excise duty goods subject to exemption or obtaining authorisations to act as an agent. The excise duty regulations on electricity were also changed. Under the new provisions, sale of electricity to an end-user in Poland is subject to excise duty, whereas under the previous regulations, electricity was subject to excise duty when produced.

According to the new Polish legislation, excise duty is payable on:

- excisable goods (energy products and electricity, alcohol and alcoholic beverages, manufactured tobacco), and
- passenger cars.

It should be noted that the scope of the Polish excise duty system is, to some extent, broader than the scope under EU legislation and covers, e.g. lubricants. Also, passenger cars are not subject to excise duty under EU provisions.

Taxable activities and payment of excise duty

Excise duty is charged on:

- production of excisable goods
- entry of excisable goods to an excise warehouse
- import of excisable goods

- intra-Community acquisition of excisable goods
- shortages and losses of excisable goods
- other activities, e.g. use of excisable goods exempt from excise duty for purposes other than intended.

Excise duty on passenger cars is charged on:
- import of passenger cars not previously registered in Poland
- intra-Community acquisition of passenger cars not previously registered in Poland
- first sale of passenger cars manufactured in Poland.

Excisable goods are subject to special rules with respect to production, holding and movement:
- excise duty on excisable goods is chargeable in the country where the goods are released for consumption
- production of excisable goods can take place, generally, in excise warehouses (except electricity)
- production and holding of excisable goods can be performed, in general, under excise suspension arrangements
- excise suspension procedure can also be applied to the movement of excisable goods, provided that the goods are moved between excise warehouses located within the EU or dispatched to a registered or non-registered trader operating in another EU Member State
- new excise duty regulations also introduce the obligation for excisable goods to be reloaded under excise duty suspension arrangements only in excise warehouses.

Generally speaking, excise duty is payable by producers, importers and traders effecting intra-Community acquisitions of excisable goods and passenger cars. Excise duty rates are expressed either as:
- a fixed amount per number of units of excisable goods (e.g. hl of pure alcohol or hl of product) – specific rate
- both a fixed amount per number of units of excisable goods and a percentage of the maximum retail price (in the case of cigarettes) – mixed rate
- percentage of the value in the case of passenger cars – ad valorem rate.

In the case of excisable goods (e.g. energy goods, manufactured tobacco, alcohol and alcoholic beverages), excise duty is paid in instalments on a daily basis and a final reconciliation is made monthly. Traders involved in export or intra-Community supplies of goods with excise duty paid are entitled to a refund of the excise duty.

5. Human capital

5.1. Residence of foreigners in Poland

The basic legal act governing the principles of entry to and residence of foreign nationals in Poland is the Foreigners Act of 13 June 2003.

A foreigner can cross the border and stay in Poland if he/she holds:

- a valid travel document
- a valid visa or other valid document giving entitlement to enter and stay on Polish territory, where required
- authorization to enter a different country or residence permit in another country, if required in the case of transit.

Thus, in principle, in order to legalize their stay in Poland, foreigners must obtain a visa. This obligation does not apply to, *inter alia*, nationals of EU Member States, EFTA Member States – parties to the Agreement on the European Economic Area, the Swiss Confederation and their family members, and citizens of countries that are parties to a visa-free travel agreement signed with Poland.

Visa

Visa is issued as an uniform visa (residence or transit), or a national visa:

- an uniform residence visa entitles to one or more entries provided that neither the length of a continuous visit nor the total length of successive visits to the territory of Schengen area countries does not exceed 3 months in each period of 6 months following the date of first entry into that territory
- an uniform transit visa entitles to:
  1) passing through Polish territory or other Schengen countries on the way to the territory of a country other than the Schengen countries, provided that the transit does not exceed 5 days
  2) stay in the transit area of international airports
- a national visa entitles to entry and continuous residence in the Polish territory or to several consecutive stays, lasting a total of more than 3 months and not exceeding a total of one year during the period of validity.

An uniform residence visa or a national visa may be issued, *inter alia*, for the following purposes: tourism, family visit, business, work, scientific, training, joining a national of an EU Member State, an EFTA Member State - party to the European Economic Area treaty or the Swiss Confederation, or being with him/her.

A work visa may be issued to a foreigner who submits a work permit or a written statement of the employer of his intention to employ the foreigner if a work permit is not required. This visa is issued for a period of residence indicated in the work permit or the employer's statement, but not longer than the period for which the visa may be issued.

The authority responsible for issuing visas is a consul competent for the foreigner's country of residence.

Other permits

The Foreigners Act provides other permits as the basis for a foreigner's stay in Poland. The main information is presented below.

A temporary residence permit

A temporary residence permit is granted to a foreigner if the circumstances giving rise to apply for the permit justify his/her residence in Poland for a period exceeding 3 months. Such circumstances are, *inter alia*:

- holding a work permit or an employer's written statement of the intention to give work to a foreigner if the work permit is not required
- conducting business activity under Polish law
- participation in vocational trainings and internships under European Union programs
- intention to live as a family member with a migrant worker referred to in the European Social Charter signed in Turin on 18 October 1961 (Journal of Laws of 1999, No. 8, Item 67)
- marriage with a Polish citizen.

As a rule, a foreigner applying for a temporary residence permit is required to have a health insurance, a stable and regular source of income, sufficient financial resources to cover maintenance costs. These requirements vary depending on the situation giving rise to apply for the permit.

Permit is issued in each case for the time needed to achieve the purpose of the foreigner's stay in Poland, no longer than for 2 years. A foreigner who obtained a temporary residence permit receives a residence card, which confirms his/her identity and entitles, along with the travel document, to cross the border numerous times without a visa.

The authority responsible for issuing temporary residence permits is the voivode competent for the foreigner's place of residence or intended place of residence.

A settlement permit

A settlement permit is granted to a foreigner who, *inter alia*:

- is a minor child of a foreigner, who holds a settlement permit, born on Polish territory
- has been married to a Polish citizen for at least 3 years before the application is filed and – immediately before the application – has been residing on Polish territory for at least 2 years on the basis of a temporary residence permit.

A settlement permit is issued for an indefinite period. A foreigner authorized to settle receives a residence card, which confirms his/her identity and entitles, along with the travel document, to cross the border numerous times without a visa.

The authority responsible for issuing a settlement permit is the voivode competent for the foreigner's place of residence.

A residence permit for a long-term EC resident

A residence permit for a long-term EC resident is granted to a foreigner who has been residing on Polish territory, immediately before filing the application, legally and continuously for at least 5 years, and who has:

- a stable and regular source of income sufficient to cover his/her maintenance costs and those of family members depending on him/her
- health insurance or an insurer's confirmation to cover the cost of treatment on Polish territory.

A residence permit for a long-term EC resident is granted for an indefinite period. A foreigner who obtained it receives a residence card, which confirms his/her identity and entitles, along with the travel document, to cross the border numerous times without a visa.

The authority competent to issue a residence permit for a long-term EC resident is the voivode competent for the foreigner's place of residence.

Residence of EU citizens in Poland

An EU citizen may reside in Poland for a period of up to 3 months without registering his/her stay. During this period he/she should hold a valid travel document or other evidence of his/her identity and nationality.

1. An EU citizen's residence permit

An EU citizen planning to extend his/her stay in Poland over 3 months must register it. Residence permit for this period is granted if either of the following conditions is met:

- he/she is an employee or a self-employed person in Poland
- he/she is covered by health insurance and has sufficient financial resources to maintain himself/herself and family members in Poland, so as not to rely on social security
- he/she studies or takes vocational training in Poland and is covered by health insurance and has sufficient funds to maintain himself/herself and family members so as not to rely on social security
- he/she is married to a Polish citizen.

A stay is registered following an application filed by an EU citizen personally. The registration is made and the certificate is issued immediately.

The authority responsible for registration of an EU citizen's residence is the voivode competent for the EU citizen's place of residence.

2. An EU citizen's permanent residence

An EU citizen acquires permanent residence right after 5 years of continuous residence in Poland. A residence is considered continuous if any interruptions throughout did not exceed a total of 6 months in a year.

An EU citizen who acquired the right of permanent residence receives a document confirming it. This document is issued at the EU citizen's request filed personally.

The authority responsible for issuing the document confirming the EU citizen's right of permanent residence is the voivode competent for the EU citizen's place of permanent residence.

Foreigners working in Poland

Work performed by foreigners on Polish territory is governed by the Promotion of employment and labor market institutions Act of 20 April 2004.

The rule is that foreigners who want to work in Poland (e.g. under an employment contract or a different type of contract, or be board members of legal persons) are required to obtain a work permit.

This obligation does not apply to, among others, citizens of EU Member States and of the European Economic Area Member States.

A work permit is required if a foreigner:

- performs work in Poland under a contract with an entity whose registered seat or place of residence or branch, or establishment, or other form of organized activity is located in Poland (permit type A)
- in connection with the duties of a board member of a legal person entered in the register of companies or a company in organization is staying in Poland for a period exceeding 6 months within consecutive 12 months (permit type B)
- performs work for a foreign employer and is assigned to Poland for a period exceeding 30 days in a calendar year to a branch or establishment of a foreign entity, its subsidiary, or a related entity, or an entity having a long-term cooperation agreement with the foreign employer (permit type C)
- performs work for a foreign employer who does not have a branch, establishment or other form of organized activity in Poland and is assigned to Poland to provide a temporary and occasional service (an export service) (permit type D)
- performs work for a foreign employer and is assigned to Poland for a period exceeding 3 months within consecutive 6 months for purposes other than those listed above (permit type E).

An application for a work permit is filed by the entity that entrusts work to a foreigner. Work permit is issued by the voivode for a definite period of time, not longer than for 3 years, and when the foreigner acts as a board member of a legal person for a period not longer than 5 years under certain circumstances.

5.2. The Polish Labour Code

Polish labour law issues are mainly regulated by the Labour Code. There are also separate acts on, for example, group redundancies, trade unions, and employing temporary workers. Other legal sources applying to employees (e.g. collective bargaining agreements and individual employment contracts) must never worsen the situation of the employee, as it stands under the Labour Code.

The Labour Code specifies the rights and obligations of all employees, regardless of the category of work and the legal basis for the employment relationship. This does not apply to persons rendering services under civil law contracts (e.g. service contracts).

5.3. Legal basis of the employment relationship

Polish law provides for the following types of employment relationship:

- employment contract
- appointment, election, nomination and co-operative employment contracts.

An employment contract is the most common basis for employment.

5.4. Employment contract

An employment contract should be concluded in writing. If not, the type of employment contract and its conditions should be confirmed on the day the employee starts work at the latest. The employment contract must specify its parties, contract type, execution date and work and pay conditions, in particular:

- type of work, place of performance and start date
- remuneration corresponding to the type of work with an indication of its components
- working hours.

Apart from the contract, written information about basic employment conditions must be given to the employee during the first seven days of work.

An employment contract can be concluded for:

- a non-fixed term
- a fixed term (the Act on Mitigating the Effects of the Economic Crisis on Employees and Businesses in effect from 22 August 2009 to 31 December 2011 permits the execution of many employment contracts as long as the term of the contracts does not exceed 24 months in total)
- the time required to complete specific work
- the period during which another employee is absent.

Each of the contracts mentioned above may be preceded by an employment contract for a trial period (no longer than three months).

5.5. Termination of an employment contract

In general, an employment contract can be terminated:

- by mutual agreement of the parties
- by one of the parties observing a notice period (termination with notice)
- by one of the parties without observing a notice period (termination without notice, possible only in the cases specified in the Labour Code)
- at the end of the period for which it was concluded or on completion of the task for which it was concluded.

Declarations of both parties on termination of an employment contract (with or without notice) must be made in writing. Any declaration by an employer on termination of a non-fixed term employment contract or on termination of an employment contract without notice should give reasons for the contract being terminated.

Termination of an employment contract with notice

Either party may give notice of termination of an employment contract concluded for a trial period, for a non-fixed term or for the period in which another employee is absent. Additionally, where an employment contract is concluded for a fixed term of more than six months, the parties may provide for earlier termination of this contract with two weeks notice.

The notice period for a trial period employment contract is:

- three working days if the trial period does not exceed two weeks
- one week if the trial period is longer than two weeks
- two weeks if the trial period is three months.

The notice period for a non-fixed term employment contract depends on how long the employee has worked for the employer and is:

- two weeks if the employee has been employed for less than six months
- one month if the employee has been employed for at least six months but not longer than three years
- three months if the employee has been employed for at least three years.

The notice period for an employment contract concluded for the time in which another employee is absent is three working days.

If the employee holds a position involving financial liability for property entrusted to him, the parties may agree in the employment contract that in the event of termination the notice period will be:

- one month if the employee has been employed for less than six months
- three months if the employee has been employed for at least six months.

Longer notice periods can also be provided for in the employment contract if these longer notice periods are more favourable to the employee.

Termination of an employment contract without notice

An employer may terminate an employment contract without notice if the employee:

- seriously violates his/her basic duties
- commits an offence during employment which renders further employment in his/her position impossible, if the offence is obvious (it is beyond doubt that the offence was committed), or has been established by a final and non-revisable court judgment
- loses any licence needed to perform the duties connected with his/her position.

An employer can also terminate an employment contract without notice if, for example, the employee is incapable of working due to illness:

- for more than three months if the employee has worked for the employer for less than six months
- for longer than the period for which he/she receives sick pay and welfare benefits if the employee has worked for the employer for at least six months.

An employee can also terminate his/her employment contract without notice in the cases strictly defined in the Labour Code.

Rights of the employee in the event of unlawful or unjustified termination of the employment contract by the employer.

In general, if an employment contract is unlawfully or unjustifiably terminated by the employer, the employee is entitled to bring a claim in a labour court for:

- reinstatement on former conditions, or
- due compensation.

However, the final decision as to which of these two employee rights will be applied in an individual case lies with the court.

5.6. Remuneration for work

The minimum remuneration for work for full-time employees is specified in the Minimum Wage Act and Council of Ministers regulations.

The general rule is that an employee cannot be offered remuneration lower than specified in the law.

For example, the minimum monthly wage in 2010 has been set at PLN 1,317. Wages in Poland are paid gross, e.g. before payment of any taxes, social security contributions or other mandatory payments.

According to the Labour Code, conditions on remuneration for work and the granting of other benefits connected with work are fixed in collective bargaining agreements or in pay rules.

Any employer with at least twenty employees who are not covered by a collective bargaining agreement must set out the conditions of remuneration for work in written pay rules.

5.7. Workplace rules

An employer with at least twenty employees is obliged to introduce workplace rules. These regulate the organisation of work processes and the rights and duties of the employer and the employees.

5.8. Working time

Working time cannot generally exceed eight hours per day and an average of forty hours per week in a five-day week within a reference period of usually not more than four months (the Act on Mitigating the Effects of the Economic Crisis on Employees and Entrepreneurs in effect from 22 August 2009 to 31 December 2011 permits the reference period to be extended to 12 months in the instances and on the terms and conditions specified therein). Total weekly working time with overtime cannot on average exceed 48 hours in a reference period.

The Labour Code contains many provisions modifying this general rule depending on the working hour system used by the employer.

5.9. Overtime

Work performed in excess of an employee's working time constitutes overtime. Overtime is only permissible in the event of:

- rescue operations needed for the protection of human life or health, or for the protection of property, or the environment
- special needs of the employer (when overtime most frequently arises).

Employees working overtime are entitled to additional overtime pay of:

- 100% of remuneration (double time) for overtime at night, on Sundays or during holidays that are not working days for the employee according to the applicable work schedule and also for overtime on a day off *in lieu* (granted in consideration for working on Sundays or during holidays that are not working days for the employee according to the applicable work schedule)
- 50% of remuneration (time and a half) for overtime on any other days.

In consideration for overtime, at the employee's request the employer may give the employee time off *in lieu* equal to the overtime worked. In this case, the employee is not entitled to overtime pay.

Time off *in lieu* may be given without being requested by the employee. In such cases, the employer gives time off *in lieu* by the end of the reference period at the latest equal to the overtime plus 50%, but it must not reduce the employee's remuneration due for total monthly working time. In such cases, the employee is not entitled to overtime pay.

In general, when working to meet the employer's special needs, employees cannot work more than 150 hours per calendar year. An employer can establish (with trade union approval, if there are unions at the employer's enterprise) an overtime limit different from the statutory limit. Maximum overtime is limited by the requirement that total weekly working time cannot exceed an average of 48 hours in any reference period.

5.10. Holiday entitlement

In general, holiday entitlement is:

- twenty working days per year – for the first ten years of service
- twenty six working days per year – after ten years of service.

When establishing holiday entitlement, employment with previous employers and periods of education (on the rules stipulated in the Labour Code) are also taken into account.

An employee acquires the right to holiday after one month of employment at 1/12 of the statutory holiday to which he/she is entitled after one year of service according to the Labour Code.
If an employee changes employer during the calendar year he acquires the right to leave with the new employer proportionally to the duration of his employment with the new employer in that calendar year.

5.11. Protection of women at work and employment of minors

Issues connected with women's work and the employment of minors are specifically regulated in the Labour Code and secondary legislation.

5.12. Health and safety at work

The Labour Code and secondary legislation regulate in detail the employer's obligations with regard to health and safety at work.

5.13. Group redundancies

Issues connected with group redundancies are specifically regulated by the Act on Special Rules for Terminating Employment for Reasons not Attributable to Employees.

The provisions of this Act apply to employers with at least 20 employees that simultaneously terminate, or terminate within a period of 30 days, employment contracts with a group of employees comprising at least:

- 10 employees, if the employer has fewer than 100 employees
- 10% of employees, if the employer has at least 100 but fewer than 300 employees
- 30 employees, if the employer has 300 or more employees.

The provisions of the Act on Special Rules for Terminating Employment for Reasons not Attributable to Employees also apply in cases of bankruptcy or liquidation of an employer's enterprise.

5.14. Trade unions

Employees have the right to freely join trade unions. According to the law, there must be a minimum of 10 persons to establish a trade union. The employer cannot limit this right in any way.

5.15. Company social fund

According to the provisions of the Act on Company Social Funds, business entities that as at 1 January of a given year employ a minimum of twenty employees on a full-time basis should set up a social fund and introduce appropriate regulations on how the money is collected and how it will be spent. They can, however, agree that no social fund will be established in a collective bargaining agreement or, if their employees are not covered by such an agreement, decide in pay rules (in agreement with an employee chosen by the staff to represent their interests).

5.16. Foreigners

EU citizens do not need to obtain a work permit.

Foreigners from EU countries and their families have to register their stay in Poland if it is longer than 3 months.

Non-EU citizens, as employees or board members of Polish companies, require work permits. An employer has to obtain a work permit and afterwards, the foreigner has to obtain the appropriate visa or permit to live in Poland for a limited period. Working visas are issued by the consulate in the foreigner's permanent place of residence upon presentation of the work permit. Having obtained the visa, the foreigner may sign the employment contract and take up employment.

5.17. Temporary work

The Act on the Employment of Temporary Workers allows temporary workers to be hired in specific circumstances, e.g. for seasonal or periodical work, for work which cannot be performed by permanent employees on time or for work previously performed by an absent employee. A temporary worker cannot be employed in posts where particularly dangerous work is performed. A temporary worker cannot replace an employee taking part in a strike or a worker dismissed for reasons unrelated to employment.

As a rule, a temporary worker cannot be employed by a given employer for more than 12 months in a period of 36 months. Temporary workers execute fixed-term employment contracts or employment contracts for the time required to complete specific work with employment agencies entered in the register of employment agencies kept by the voivodship marshal relevant for the agency's registered office. A fixed term employment contract with a temporary worker can be terminated by either party with three days' notice (if it was executed for a period not exceeding two weeks) or one week's notice (if it was executed for longer than 2 weeks) if it so provides.

An employer who intends to use temporary workers must execute a contract with an employment agency specifying several issues concerning work performed by temporary workers defined in the Act on the Employment of Temporary Workers. The law provides for a number of obligations that have to be met by employers using temporary workers related to work safety, trade union consultation and informing temporary workers of vacancies.

5.18. Works councils

The Employee Information and Consultation Act and the European Works Council Act are currently in force in Poland.

Employee councils

The Employee Information and Consultation Act sets out the rules on which employees are informed and consulted and on electing an employee council. It applies to employers having a minimum of 50 employees.

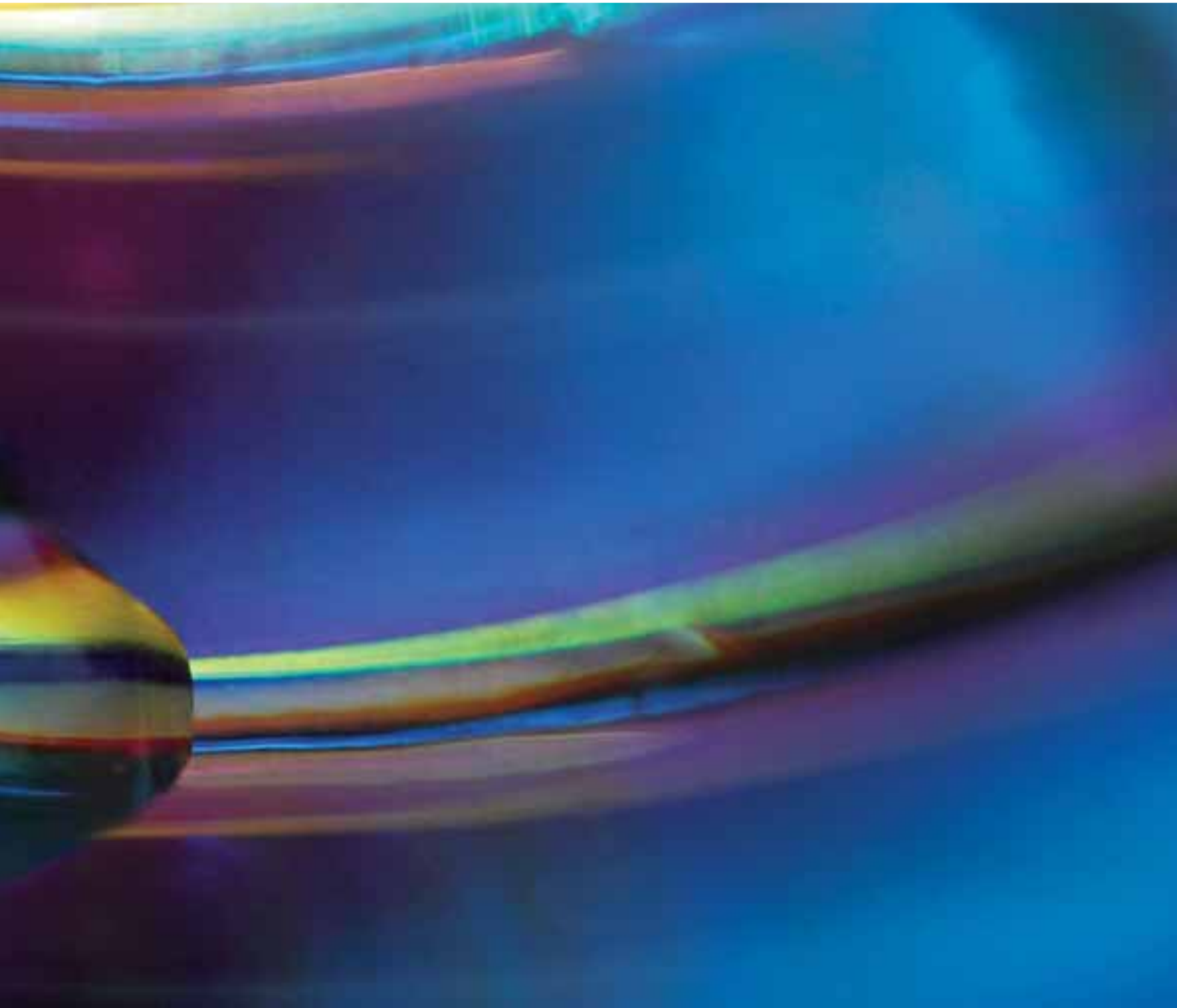
European Works Councils

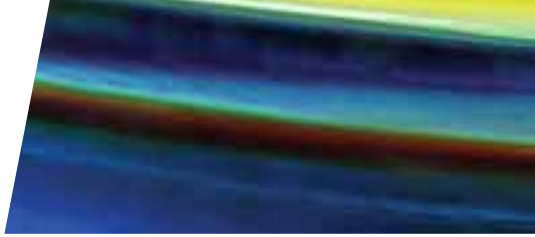
Apart from the internal employee councils mentioned above, there are also (intercompany) European Works Councils. The European Works Council Act provides for the manner of establishing European Works Councils and the rights and obligations of European Works Councils and the employers where such councils exist.

The Act applies only to community-scale undertakings and community-scale groups of undertakings which employ at least 1,000 employees in European Union Member States, including at least 150 employees in a minimum of two European Union Member States if there are connections between Poland and the undertaking, i.e.:

- the central management of the undertaking is based in Poland, or
- the central management has appointed a representative in Poland, or
- the employing establishment of the undertaking that employs the greatest number of employees among those employed in the EU is in Poland.

6. Competition law





Competition law in Poland is generally governed by the Act on Combating Unfair Competition (1993) and by the Competition and Consumer Protection Act (2007). In order to better protect market players, a new Act on Combating Unfair Market Practices (2007) was also implemented. The aim of the Act on Combating Unfair Competition is to ensure that entities operating on the market compete on a fair basis, e.g. do not carry out any acts of unfair competition.

The general aim of the Competition and Consumer Protection Act of 2007 is to protect freedom of competition and it does so by:

- setting out conditions for the development and protection of competition and rules on protecting the interests of businesses and consumers in the public interest, and rules and measures for counteracting restrictive practices (cartels and abuse of dominant position) and anti-competitive concentrations of businesses and associations thereof (merger control)
- prohibits practices that violate collective consumer interests where such practices or concentrations have or may have effects in the Republic of Poland.

6.1. Act on Combating Unfair Competition (1993)

The Act on Combating Unfair Competition regulates the protection of interests of entrepreneurs, customers and consumers against unfair competition and prevents unfair competition in the public interest and in the interests of entrepreneurs and customers, particularly the latter. The Act defines an act of unfair competition as any activity carried out in violation of the law or good practice if it infringes or may infringe upon the interests of other entrepreneurs or customers (so-called "general clause"). The Act contains an open list of activities deemed to be acts of unfair competition. These especially include:

- misleading designation of an enterprise
- false or fraudulent designation of geographical origin of goods or services
- misleading designation of goods or services
- violation of business secrets; unfair encouragement to terminate or not to perform agreements
- product imitation
- imputations or dishonest praise of goods; obstruction of market access
- bribery of a person performing public duties
- dishonest or unlawful advertising;
- organisation of an avalanche sales system and spamming. The Act also gives a detailed description of the above acts.

As this list of acts is open, there may be acts of unfair competition that are not on the list but that still violate the general clause mentioned above. Any entrepreneur whose interests have been infringed as a result of acts of unfair competition may demand that:

- the prohibited activities be ceased
- the effects of prohibited activities be eliminated
- public statements be made of an appropriate content and in a proper form
- damage caused to the entrepreneur be redressed under general rules of civil law
- any unjustly received benefits be returned, and
- in the case of wilful acts, a certain sum be adjudicated for a specified public purpose connected with the support of Polish culture or the protection of national heritage.

Some acts of unfair competition (e.g. violation of business secrets, product imitation, misleading designation of goods or services, imputations or dishonest praise of goods) may also lead to criminal liability.

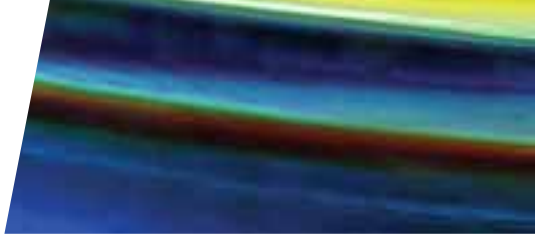
In practice, application of the Act on Combating Unfair Competition is often connected with the implementation of other legal measures provided for in various other legal regulations, especially with regard to protection of industrial property rights and copyrights.

6.2. Competition and Consumer Protection Act (2007)

The Competition and Consumer Protection Act sets out conditions for competition development and protection and the rules for protecting the interests of entrepreneurs and consumers in the public interest. The central administrative authority responsible for competition and consumer protection is the Competition and Consumer Protection Office (UOKiK).

The Act prohibits agreements that prevent, restrict or distort competition on the relevant market, such as:

- directly or indirectly fixing prices and other product purchase and sale conditions
- limiting or controlling production or supply, and also technical development and investments
- market sharing.



Such agreements are invalid under the law. The Act contains exemptions to the ban on anti-competitive practices relating to agreements stipulated in the Act in particular situations.

The Act also forbids the abuse of a dominant position by one or more entrepreneurs. Abuse of a dominant position may, in particular, constitute:

- direct or indirect imposition of unfair prices, including predatory pricing, long payment terms and other product purchase and sale conditions
- limiting production, supply or technical development to the detriment of contractors or consumers
- applying in similar transactions with third parties onerous or different contract terms, thus creating disparate competition conditions for these parties.

Any legal transactions that are the result of abuse of a dominant position are invalid under the law. Since Poland's accession to the EU, the provisions of EU law (especially Articles 81 and 82 of the EC Treaty) apply directly. Polish competition authorities are therefore empowered to apply the Treaty provisions fully.

According to the Act, entrepreneurs are obliged to notify the Competition and Consumer Protection Office of any intended concentration. Typical examples of concentration are:

- a merger of two or more independent entities
- a take-over of another entity
- establishment of a joint venture by entrepreneurs.

A concentration has to be notified if the combined worldwide turnover of the entrepreneurs participating in the concentration in the year preceding the year of notification exceeds € 1bn or if combined turnover in Poland of the entrepreneurs participating in the concentration in the year preceding the year of notification exceeds € 50mn. There are certain exceptions to these thresholds, e.g. a merger does not have to be notified if the target's turnover in Poland is less than € 10mn in the two consecutive years preceding the year of notification.

The President of the Competition and Consumer Protection Office examines the intended concentration and will approve it if it does not result in significant restriction of competition due to the emergence or strengthening of a dominant position on the market.

If it does, the President may prohibit the concentration (with certain exceptions). Before issuing clearance for a concentration the President may impose upon the entrepreneur or entrepreneurs involved, the obligation, or accept their undertaking, to meet certain specific conditions (e.g. to divest all or part of the business of one or more of the entrepreneurs).

The EC Merger Regulation applies accordingly. The European Commission and the President of the Office of Competition and Consumer Protection co-operate with each other through the European Competition Network (ECN).

A substantial part of Polish antitrust law involves the prohibition of practices which infringe upon collective consumer interests. Such practice is any unlawful activity of an entrepreneur prejudicial to collective consumer interests. The President may, in a decision pronouncing a practice an infringement of collective consumer interests, prohibit continuation of the infringement. This decision may be published wholly or partially at the expense of the entrepreneur.

Non-observance of the provisions of the Act on restrictive practices, the abuse of a dominant position, merger control or practices which infringe upon collective consumer interests may result in heavy fines being imposed by the President of the Competition and Consumer Protection Office.

7. Capital markets

7.1. General

Over recent years, the Polish capital market has experienced a period of continuous development. This is particularly visible in the increased size of the Warsaw Stock Exchange, the growing number of listed companies, and the rise in the number of domestic investment funds available.

7.2. Regulatory environment

The basic principles governing the Polish capital market are set out in the following regulations:

- Act on Trading in Financial Instruments
- Act on Public Offerings and Terms on which Financial Instruments are Introduced to an Organised System of Trading and on Listed Companies
- Capital Market Supervision Act.

These Acts implement European Parliament and Council Directives on capital markets, harmonising Polish law with European Community standards. The manner in which prospectuses are prepared is in line with the EU Prospectus Regulation and securities admitted by other EU regulators can under Polish provisions also be admitted to trading in Poland. In 2009, Polish regulations were adjusted in line with the provisions of the Transparency Directive, making the market more favourable for foreign investors and foreign public companies.

Increasing attention is paid to market communication, protection of minority investors, counteracting fraud and insider trading.

The regulations on investment funds contained in the Investment Funds Act of 27 May 2004 as amended reflect the relevant provisions of EU law on undertakings for collective investments in transferable securities. In particular, the public offering of foreign investment funds in Poland is now regulated in detail.

Financial Supervision Authority

The Polish capital market is supervised by the Financial Supervision Authority (Komisja Nadzoru Finansowego – FSA), which is the only regulatory authority supervising insurance companies, pension funds, banks and financial market institutions. In terms of the capital market, one of the FSA's main functions is to protect investors' interests.

The FSA also supervises brokerage houses, collective investment institutions and public companies operating or offering shares for sale in Poland. The FSA's powers cover both initial control and subsequent supervision of the operations of the aforementioned entities and of brokers and investment advisors. The FSA may impose fines on and apply other administrative measures to market participants that fail to comply with Polish regulations.

In the case of entities that are also subject to supervision in other EU jurisdictions, the FSA cooperates with local market regulators in exercising supervision.

Warsaw Stock Exchange

The Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie – WSE) is the principal market in Poland where stocks, bonds, derivatives and other financial instruments are traded. Trading is carried out on two different markets within the WSE: the "main floor" (primary market) and the "parallel market". The WSE also holds a stake in the OTC market BondSpot and operates NewConnect, a multilateral trading system. In 2009 the bond market Catalyst was opened. Details of these fourfour markets are given below. As of December 2009, there were 378379 companies (24 of which were 4 foreign companies) and several treasury, corporate and foreign bond

series quoted on the WSE markets. Traded derivatives include future contracts on indices and selected stocks, options on indices, and other. WSE capitalisation as of 11 January 2010 exceeded PLN 747bn, while total stock trading volume in 2009 was over PLN 367bn.

Main floor (primary market)

To be admitted to the main floor, shares must have an aggregate minimum value of € 10mn. Furthermore, shares held by small shareholders (holding 5% or less) should represent no less than 25% of all a company's shares. Alternatively, admission to the main floor may be sought where at least 500,000 shares of an aggregate value of € 17mn are held by shareholders who hold shares entitling them to less than 5% of votes each. The issuer must have published audited annual financial statements for the previous three financial years. As of 11 January 2010, 339 316 companies were listed on the main market.

Parallel market

The parallel market generally accepts financial instruments that do not meet the criteria for entry to the primary market as long as the issuers meet the reporting/offering requirements provided for by the law, e.g. they are not subject to bankruptcy or liquidation proceedings and there are no restrictions on the transfer of such instruments.

NewConnect

In August 2007, a new alternative multilateral trading system was opened by the Warsaw Stock Exchange. NewConnect is intended for smaller, innovative companies wishing to attract financing through private placement with less stringent reporting and compliance requirements.

Catalyst Market

The Catalyst bond market operates on WSE and BondSpot transaction platforms of the WSE and BondSpot. These platforms support trading in non-treasury debt instruments (municipal, corporate and mortgage bonds).

Investment funds

In recent years Polish investors have shown a growing interest in investment funds. Assets held by domestic investment funds rose from PLN 7.1bn in 2000 to over PLN 73.7bn at the end of 2008, while the number and variety of Polish investment funds available have also increased.

Polish investment funds are separate legal entities managed by fund management companies operating in the form of joint-stock companies. Depending on the structure, investors may be allowed to participate in the decision-making process regarding assets.

Open-end investment funds

The majority of Polish investment funds are open-end funds. Investors may join and leave virtually at any time during the fund's life. The participation units offered by these funds are not deemed securities for the purpose of Polish regulations.

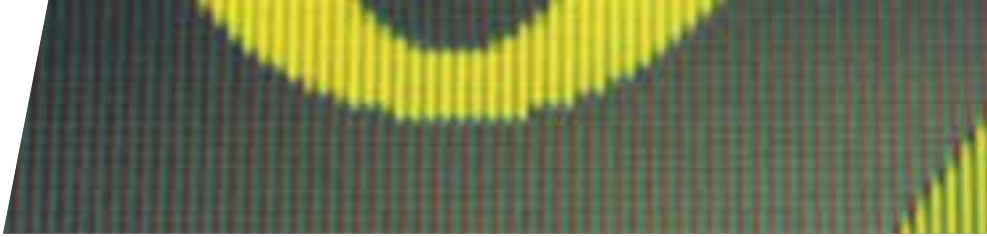
The investment limits applicable to open-end investment funds are generally quite stringent, but are less so for specific types of fund, i.e. specialised investment funds.

Closed-end investment funds

Closed-end investment funds are divided into a specified number of investment certificates – this limits entry to and departure from such funds. The investment certificates issued by these funds are deemed securities under Polish regulations and may be admitted to trading on a regulated market.

New types of closed-end funds, e.g. securitisation funds, real estate funds and non-public asset funds, have been introduced to the Polish legal system and have contributed to the growth of the Polish investment fund market.

8. Accounting and auditing



8.1. Introduction to the accounting framework in Poland

Polish accounting is regulated by the Accounting Act of 29 September 1994 (the Act). The Minister of Finance has also issued several regulations covering specific accounting areas such as financial instruments, consolidation, accounting for banks, insurance companies, investment funds and pension funds. Since 2002 the Accounting Act has been undergoing significant changes to bring Polish accounting practices closer to the International Financial Reporting Standards (IFRS). However, due to the many changes in IFRS, differences continue to exist between the Act and IFRS as noted in Section 8.6 below.

In 2002 the Polish Accounting Standards Committee was established to prepare and issue standards to implement the Act. Before July 1, 2010 six standards (KSR) had been issued:

- KSR 1 "Cash flow statement"
- KSR 2 "Income taxes"
- KSR 3 "Construction contracts"
- KSR 4 "Impairment of assets"
- KSR 5 "Leasing"
- KSR 6 "Provisions, accruals, contingent liabilities".

The Committee also issued four standpoints (not a standard) on topics related to accounting for emission rights, inventory valuation, green certificates and some aspects of bookkeeping. In areas unregulated by the Act or National Standards, reference may be made to IFRS.

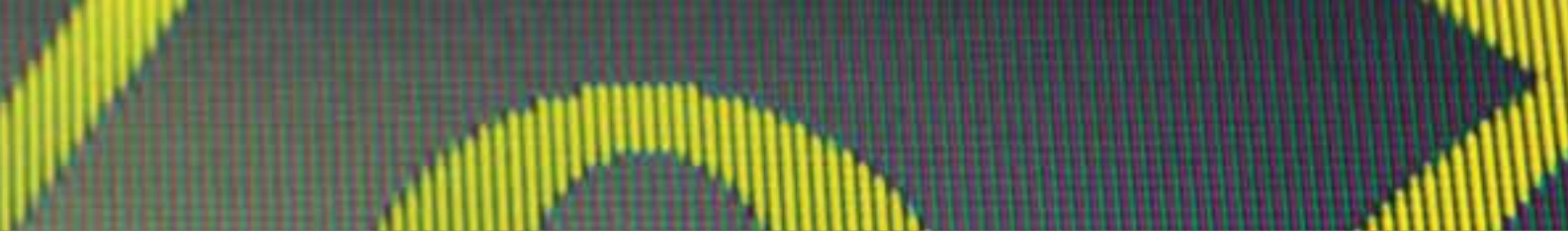
The amendments to the Act, which came into force on 1 January 2005 and 2009 permit some Polish entities to apply IFRS as adopted by the EU as their primary basis of accounting, rather than applying the accounting principles in the Act. This choice is summarised in the following table:

Accounting records

The provisions of the Act and related regulations are applicable to, among others, companies and partnerships that have their registered office or place of management in Poland. For those entities that apply IFRS as their primary basis of accounting instead of Polish principles, the following sections of the Act will still apply:

- the principles of maintaining accounting books (it will not, however, include the format of financial statements) (chapter 2)
- stock taking (chapter 3)
- auditing and publishing financial statements (chapter 7)
- directors' report (Art. 49)
- protection of data (chapter 8)
- penal liability (chapter 9)

	Standalone financial statements	Consolidated financial statements
1. Entities listed on a regulated market in Poland or other European Economic Area (EEA) country.	Choice	Required
2. Banks (other than those included in 1, 3, 4 and 5).	Not permitted	Required
3. Entities that applied for permission to list on a regulated market in Poland or other European Economic Area (EEA) country.	Choice	Choice
4. Entities that are part of a group where the parent prepares consolidated financial statements for statutory purposes in accordance with IFRS as adopted by EU.	Choice	Choice
5. Branches of a foreign entrepreneurs	Choice	n/a
6. Other entities.	Not permitted	Not permitted



- specific and interim provisions (chapter 10).

Each entity is obliged to maintain accounting books and other documentation which, in particular, contain:

- a description of the entity's accounting principles
- rules for keeping subsidiary ledgers and their link to general ledger accounts.

Accounting records should be kept and financial statements drawn up in the Polish language and expressed in the Polish currency.

8.2. Major aspects of valuation of balance sheet items

An asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the company.

Intangible assets

Intangible assets are recorded initially at their purchase price and then are amortised over their useful lives or written down for impairment. The amortisation period for goodwill and development costs qualifying for capitalisation should not exceed five years. If justified, however, the amortisation period for goodwill may be extended up to 20 years.

Property, plant and equipment

Items of property, plant and equipment are stated at acquisition or production cost, less accumulated depreciation and impairment write-offs. Land is valued at its acquisition cost reduced by write-offs due to impairment.

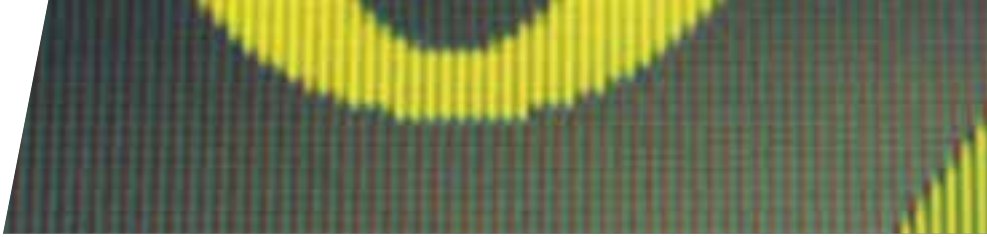
Tangible assets may be revalued in accordance with separate regulations. The last revaluation was on 1 January 1995, based on a decree issued by the Ministry of Finance. The result of revaluation is reflected in the revaluation reserve. After a fixed asset is sold or liquidated, the amount remaining in the revaluation reserve is transferred to reserve capital. Costs incurred on an asset already in use, such as repairs, overhauls or operating fees, are expensed as incurred.

If, however, such costs increase the expected future economic benefits of a given fixed asset beyond the original expected benefits, they are capitalised into the value of the asset.

Tangible assets, except for land, are depreciated on a straight-line or other systematic basis over the assets' estimated useful lives, or if shorter over the term of right. Borrowing costs (interests) which relate to the construction, adaptation, assembly or improvement of a tangible asset or intangible asset are capitalised as part of the cost of the asset, where those borrowings were taken out for that purpose. Foreign exchange gains/losses on such borrowings are also capitalised.

Investment property

Investment property is valued at a purchase price decreased by depreciation and write-offs due to impairment or at their fair value – the policy to be selected. If the fair value model is selected, the changes are recognised in other operating costs or other operating income. Investment property includes properties which the Company does not use for its own purposes but which are held for the purpose of generating profits in the form of increasing value or revenues from rental.



Other investments

Financial instruments

Financial instruments are initially recognised at their acquisition cost (price), being the fair value of the consideration given. The costs of the transaction are included in their initial value.

After initial recognition, financial instruments (including derivatives and embedded derivatives) are classified into one of the following four categories and reported as follows:

- investments held to maturity – measured at amortised cost, calculated using the effective interest rate,
- originated loans and receivables – measured at amortised cost, calculated using the effective interest rate,
- investments held for trading – measured at fair value. Any unrealised gains/losses are recorded in the profit and loss account,
- investments available for sale – measured at fair value, with unrealised gains/losses recognized in the profit and loss account or in the revaluation reserve in equity until the investment is sold or impaired at which time the cumulative gain/loss is included in the profit and loss account – the policy to be selected.

In single entity accounts of a parent entity, investments in subsidiaries, associates or joint ventures can be carried at cost, equity accounted or at fair value. If carried at fair value, all changes are recognised in the revaluation reserve in equity. The fair value of financial instruments traded on an active market is set with respect to the prices listed on such a market as at the balance sheet date. If there is no such a listed market price, the fair value is estimated based on the listed market price of a similar instrument or based on the expected cash flow.

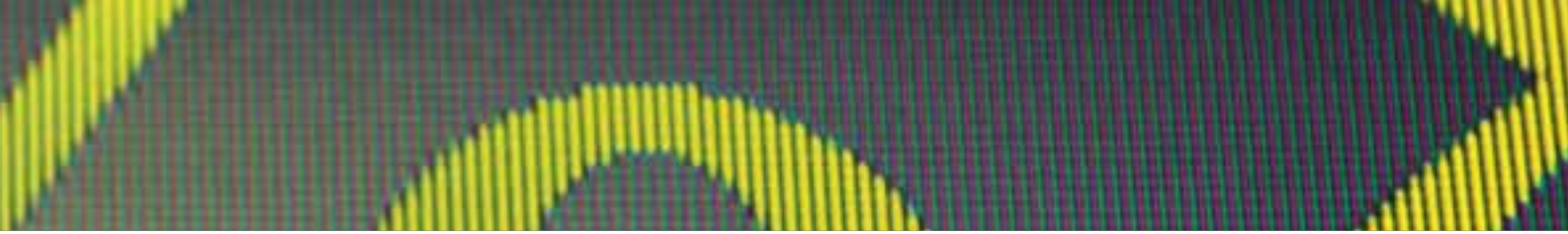
Those companies that are not subject to a statutory audit may elect not to apply the above measurement to financial instruments. if it does not affect the true and fair presentation. In this case, investments may be accounted for as follows:

- short-term investments – at the lower of cost or market value, at fair value or at amortised cost (if a maturity date is known) with gains/losses recognised in the profit and loss account
- long-term investments – at acquisition cost less impairment or at fair value with gains/losses recognised in the revaluation reserve in equity or in the profit and loss account (if the current valuation is lower than original). If a maturity date is known, long term investments might be stated at amortised cost.

Hedge transactions

Transactions involving derivative instruments to hedge a financial risk are split into three types of hedges – cash flow hedges, fair value hedges and a hedge of a net investment in a foreign subsidiary. Hedge accounting applies as presented in table.

	Cash Flow Hedges	Fair Value Hedges	Hedge of a net investments in a foreign subsidiary
Hedged item recognised	In accordance with other standards.	At fair value, with all changes recognised in the income statement.	In accordance with other standards.
Hedging instrument recognised	At fair value, with effective part of all changes in equity.	At fair value, with all changes recognised in the income statement.	At fair value, with effective part of all changes in equity.



Inventories

The inventory should be valued at cost or net realisable value, whichever is lower. Capitalisation of financial costs in the inventory is permitted if the production process requires a necessary lengthy period of preparations.

Foreign currency transactions

Transactions denominated in a non-Polish currency are translated into Polish equivalents at the actual exchange rate applied on the date of the transaction, or, if the actual rate is not known, at the rate published by the National Bank of Poland.

At the balance sheet date, assets and liabilities denominated in foreign currencies (other than shares in subsidiaries and associates valued using equity method) are restated at the National Bank of Poland rate.

Foreign exchange differences arising on revaluation are generally recorded as financial income or financial expense. For certain types of long-term investments denominated in foreign currencies gains are recognised in the revaluation reserve. Foreign exchange differences relating to liabilities financing assets under construction form part of the cost of those assets.

Equity

Instruments are classified into equity or liability based on the terms and the definition of a liability and equity. *Dopłata* – or additional capital – regardless of its terms of redemption is classified as equity. The share capital presented in the balance sheet should be equal to the amount registered at the registration court based on the shareholders' resolution.

Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and unused tax losses can be utilised.

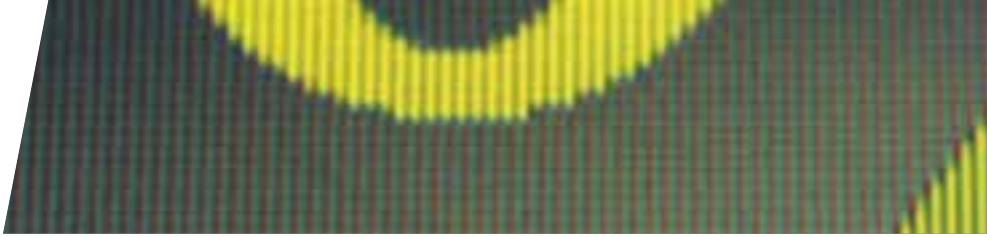
Deferred tax assets and liabilities are measured at the tax rates that, according to provisions enacted by the balance sheet date, will apply in the period when the asset is realised or the liability is settled. The Income Taxes Standard requires that additional tax credits given to companies operating in Special Economic Zones are recognised as government grants i.e. giving rise to a deferred income and deferred tax asset. Such deferred income is to be amortised over the useful life of the asset.

Those companies that are not subject to a statutory audit may elect not to recognise deferred tax balances.

Leases

A lease is classified as a finance lease if at least one of the following seven conditions is met:

- the legal title is transferred upon lease expiry
- the asset may be purchased by the lessee at a price lower than the market value upon lease expiry
- the lease term is longer than 75% of the economic useful life of the leased asset
- the sum of the discounted minimum lease payments is higher than 90% of the market value of the leased asset as at the lease inception
- the lease can be extended on more favourable terms
- if cancelled, the lessee bears all cancellation costs
- the asset is adapted to the specific needs of the lessee.



Those companies that are not subject to a statutory audit may adopt simplified accounting for leases, e.g. account for the leases in accordance with the tax treatment.

Business combinations

Business combinations that are not under common control are accounted for using the purchase method. The pooling of interest method might be used for legal mergers that are under common control.

8.3. Financial statements

Financial statements must be prepared in the Polish language and expressed in the Polish currency. Financial statements consist of:

- a balance sheet
- an income statement
- a statement of cash flows
- a statement of changes in equity
- notes to the financial statements (split into an introduction and additional notes).

A cash flow statement and a statement of changes in equity are only required by entities whose financial statements are subject to an audit.

Joint-stock companies, limited liabilities companies, insurance companies, co-operatives and state-owned companies prepare, in addition to the financial statements, a financial review by management – the management report (the Director's report). Such a report should include:

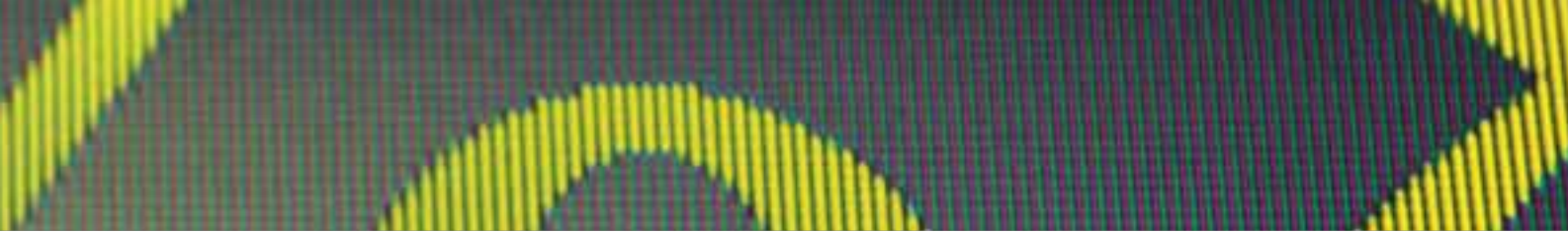
- description of events that significantly impact upon the entity's performance and that occurred during the reported period and after its closing date till the date the financial statements are approved
- predicted development of the entity
- major achievements in the research and development area
- actual and planned financial situation, including financial ratios
- details about transactions in own shares
- information on branches (business units)
- financial risk management objectives and methods
- information on the application of corporate governance rules (only public companies).

The format of the balance sheet, income statement, statement of cash flows, statement of changes in equity and the contents of notes to the financial statements for entities preparing their financial statements in accordance with Polish GAAP are determined by the Accounting Act. Companies listed on the Warsaw Stock Exchange when preparing the financial statements in accordance with Polish GAAP are guided by specific regulations for public issuers. This includes reconciliation between the results reported in accordance with Polish accounting principles and those that would have been met if IFRS as adopted by the EU had been applied.

8.4. Financial reporting and audit requirements

Financial reporting

All entities governed by the Accounting Act are obliged to prepare financial statements and consolidated financial statements (if applicable) for each financial year. The financial year need not be the calendar year. Listed companies



are additionally obliged to prepare semi-annual and quarterly reporting. An entity must also prepare financial statements as at the date of the close of accounting records and as a result of other events leading to the termination of the activities of an entity, for example, the close of business (liquidation date).

Financial statements must be filed with the registration court together with the following documents:

- auditor's opinion, if the statements were subject to an audit
- shareholders' resolution on the approval of the financial statements and distribution of profit or coverage of loss
- directors' report.

The standalone and consolidated financial statements should be approved within 6 months of the balance sheet date.

Filling is required within fifteen days of approval of the financial statements by the shareholders or the period during which they should have been approved. If not approved within 6 months after belance sheet date, additional filling is required from the entities which have not managed to approve their financial statements in the prescribed dates.

Listed companies are also required to file their financial statements with the Polish Financial Supervision Authority including interim (quarterly and semi-annual) reporting. Shorter deadlines apply.

All entities which are required to be audited must also publish certain elements of their financial statements in the Commercial Bulletin (*Monitor Polski B*). Violation of the Accounting Act by a person responsible for drawing up the financial statements (usually the Management Board and Supervisory Board) may be recognised as a criminal offence, punishable by imprisonment for a term not exceeding two years, by a fine, or both.

Audit requirements

Polish statutory audit requirements apply to all annual consolidated financial statements and to the annual standalone financial statements of the following entities that operate as a going concern:

- all banks, insurance companies, investment and pension funds, joint-stock companies and public companies
- other entities that meet at least two of the following three thresholds in the financial year preceding the financial year for which the financial statements were drawn up:
  - annual average employment (50 individuals, full-time equivalent or greater),
  - total assets as at the end of the financial year (the Polish currency equivalent of € 2,5mn or greater),
  - net sales including financial income for the financial year (the Polish currency equivalent of € 5mn or greater).

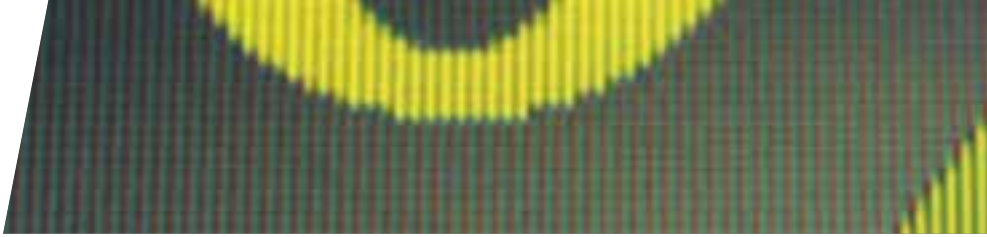
The statutory audit requirements also apply to entities after merger for the year when the merger occurred.

All statutory IFRS financial statements are subject to audit requirements.

There are also additional requirements in relation to audit or review of interim financial statements of public companies and investment funds.

Audits are governed by the relevant legal requirements in force which include:

- Chapter 7 of the Accounting Act
- Auditors Act
- national auditing standards issued by the National Council of Statutory Auditors.



8.5. Consolidation

Consolidation requirement

A capital group is defined as a group which comprises a holding company and its subsidiaries.

According to the Accounting Act, a holding company is defined as a company that controls another entity.

A capital group must draw up consolidated financial statements on the basis of standalone financial statements of entities that belong to the group. Consolidated financial statements of a capital group are required if two out of three of the following thresholds are met in the financial year and the preceding financial year:

- annual average employment – 250 individuals in full time equivalent
- sum of total assets of all group entities – the Polish currency equivalent of € 7,5mn
- sum of sales including financial income of all group entities – the Polish currency equivalent of € 15mn.

A subsidiary is excluded from consolidation if:

- the shares in such entity were acquired, purchased or otherwise obtained for the sole purpose of subsequent resale within one year from the date of acquisition
- there are restrictions on the exercise of control over the entity which prevent free disposal of its assets, including net profit generated by this entity or which prevent exercise of control over the bodies managing the entity.

A subsidiary need not be included in the consolidated financial statements if the amounts stated in that entity's financial statements are immaterial in relation to the holding company's financial statements.

Consolidated financial statements

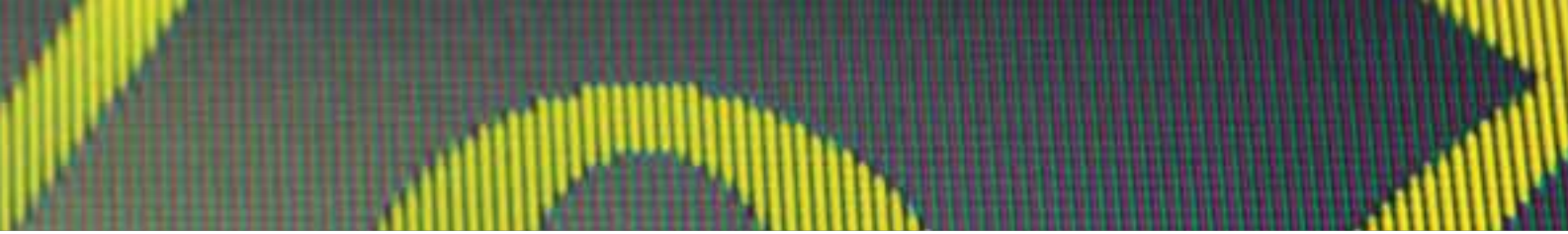
Consolidated financial statements comprise:

- a consolidated balance sheet
- a consolidated income statement
- a consolidated statement of cash flows
- a consolidated statement of changes in equity
- notes to the consolidated financial statements (split into an introduction and additional notes).

Consolidated financial statements should be accompanied by a Group directors' report. The directors' report should be prepared by the Management Board of the holding company.

Consolidated financial statements should be prepared within three months of the balance sheet date of the holding company. They should be approved by the shareholders of the holding company within six months of the balance sheet date.

Consolidated financial statements should be prepared at the same balance sheet date and for the same financial year as the financial statements of the holding company. If this date is not the same for all entities within the group, then consolidation may cover financial statements drawn up for a twelvemonth period different to the financial year, if the balance sheet date of those financial statements is earlier by no more than three months of the balance sheet date adopted by the group. Companies included in the consolidation should adopt consistent accounting policies and consistent methods of preparation of financial statements. If the accounting policies of consolidated entities differ from those applied for consolidation, then appropriate adjustments must be carried out at the consolidation level.



Methods to Include Entities in Consolidated Financial Statements

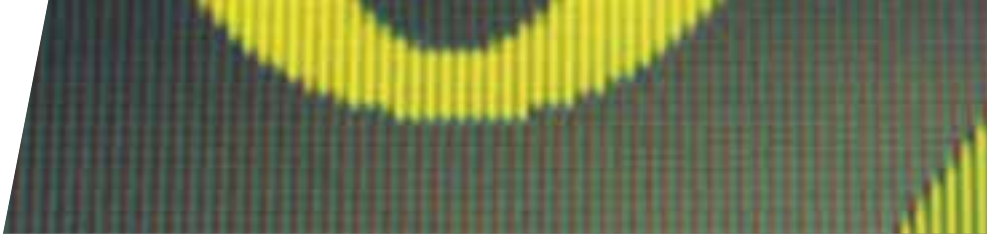
A subsidiary (see Consolidation requirements) is consolidated using the full consolidation method. Jointly controlled entities can be consolidated using a proportional consolidation method or accounted for using an equity method. Associates are accounted for using the equity method.

8.6. Principal differences between Polish and International Financial Reporting Standards

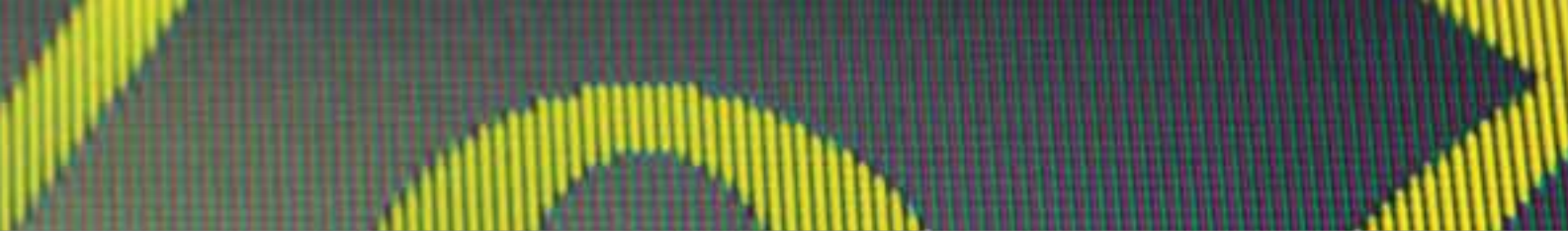
The main differences between Polish Accounting Standards (PAS) and International Financial Reporting Standards (IFRS) effective as of 1 July 2010 are presented in the table.

Other main differences between Polish and International Financial Reporting Standards

Description	PAS	IFRS
Functional currency	Functional currency concept does not underlie the preparation of the financial statements	Functional currency concept underlies the preparation of the financial statements.
Long term contracts	Long term contracts approach need only be applied for contracts with a period exceeding 6 months.	Construction contracts approach should be applied to all contracts of this type, regardless of the period.
Investment property	Assets held under an operating lease cannot be classified as investment property.	Assets held under an operating lease can be classified as investment property and accounted for as a finance lease. The fair value model must be applied in such cases.
Intangible assets	Revaluation to fair value is not permitted. All intangible assets are amortised.	Revaluation to fair value is permitted only if there is an active market in which it is possible to reliably determine fair value. Intangible assets are split into those with a finite life – amortised – and those with an indefinite life – not amortised and subject to an annual impairment test.
Impairment of assets	Assessed annually if there is high probability that the assets (including goodwill and intangibles) will not bring expected benefits. Assets write down to selling value or, if that is not available, to fair value.	Assessed annually if there are indicators that assets may be impaired (including goodwill and intangibles). If indications exist, write assets down to the higher of fair value less costs to sell and value in use. Even if there are no indicators, goodwill, indefinite life intangible assets and intangible assets not yet in use are subject to an annual test.
Hyperinflation	No adjustments for hyperinflation – regulated restatements of fixed assets undertaken instead as noted below.	During periods of hyperinflation, assets and liabilities are restated to reflect the changes in the general price index.
Business Combinations	Accounted for as an acquisition in transactions that are not legal mergers under common control. Legal mergers among entities under common control might be accounted for using pooling of interest method.	Accounted for as an acquisition in all cases. No accounting given for combinations and legal mergers among entities under common control.



Description	PAS	IFRS
Goodwill and adjustments to fair value on acquisition of subsidiary	Goodwill on acquisition is the difference between the purchase price and the fair value of all assets and liabilities acquired. Changes in the initial fair values of acquired assets and liabilities which are identified during the financial year in which the acquisition took place should adjust goodwill. Goodwill is amortised over the useful life, generally not expected to be longer than 5 years. If justified the amortization period may be extended up to 20 years. Negative goodwill: ‣ relating to future losses acquired as deferred and amortised over the period of the loss ‣ otherwise, up to the value of the depreciable assets is deferred and amortised over the depreciable life ‣ balance is recognised as income.	Goodwill on acquisition is the excess of (a) over (b) bellow: (a) the aggregate of: (i) the consideration transferred, which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree; and (iii) in a business combination achieved in stages, the acquisition date fair value of the acuirer's previously held equity interests in the acquiree (b) the net of the acquisition-date amounts of the identificable assets acquired and the liabilites assumed. Changes in the initial fair values of acquired assets and liabilities if only provisionally assessed at the date of acquisition, which are identified within 12 months of the acquisition, are adjusted against goodwill. Goodwill is not amortised, but subject to a yearly impairment test. Gain on bargain purchase is recognised as income.
Fixed assets	Fixed assets may be revalued only on the basis of separate regulations to a value not exceeding the fair value.	Fixed assets may be revalued to their fair value.
Capitalisation of borrowing costs	All borrowing costs, arrising on financing of tangible and intangible assets, incurred in the period of construction, are capitalised as part of the assets' costs. A choice is given to capitalise borrowing costs into inventory which takes considerable time to complete.	Capitalisation of borrowing costs required on specific and general borrowings to finance the construction of individual qualifying assets. FX gains/losses are also included as part of the borrowing costs, to the extent they represent an adjustment to the interest charge.
Investments in subsidiaries, associates and joint ventures in separate standalone accounts of the parent	Choice of policy between: ‣ cost ‣ equity accounting ‣ fair value with all changes recognized directly in equity.	Choice of policy between: ‣ cost ‣ fair value with all changes recognized directly in equity.



Description	PAS	IFRS
Financial instruments	There are the following categories of financial instruments: ‣ loans and receivables restricted to those arising from providing funds to another entity ‣ available for sale financial assets are valued at fair value with a choice of policy to recognise changes in the income statement or equity. Any impairment recognised in the income statement may be reversed in the income statement at a later date ‣ held for trading instruments are those acquired for the purpose of generating profits from sale in a short period of time ‣ held for maturity investments are nonderivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity ‣ other financial liabilities.	There are the following categories of financial instruments: ‣ loans and receivables include those arising from sale of goods and may include balances acquired in some cases ‣ available for sale financial assets are valued at fair value with changes recognised in equity. Any impairment below cost is recognised in the income statement and for equity instruments may not be reversed through the income statement ‣ financial assets or financial liabilities at fair value through profit and loss consist of: – held for trading – other assets or liabilities designated at inception and meeting specific conditions ‣ held for maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity ‣ other financial liabilities.
Hedging	Cash flow hedges include all firm commitments. The balance in equity is included in the carrying value of the acquired asset/liability.	Cash flow hedges include firm commitments only relating to foreign exchange risk – all other commitments are fair value hedges. The balance in equity remains in equity until the underlying transaction effects the income statement. If the firm commitment was for a non-financial asset or liability, there is a choice of policy to adjust the carrying value of the asset/liability or to keep the balance in equity until the asset/liability impacts the income statement.
Investment tax credits	Investment tax credits used give rise to a deferred tax asset and at the same time are recognised as a government grant to be amortised over the useful life of the asset (per standard issued by Accounting Standards Committee).	Unused investment tax credits give rise to a deferred tax asset and affect the tax charge in the year granted.
Share – based payments	There is a lack of requirements concerning share-based payments accounting. The practice is not to account for equity-settled' transactions of this type.	Share-based payments transactions including transactions with employees or other parties to be settled in cash, other assets or equity instruments of the entity are recognised generally giving rise to expenses in the entities financial statements.

In any matters not regulated by the Accounting Law or the Decrees an entity may apply national accounting standards issued by the Accounting Standards Committee. In the absence of relevant local regulations, the entity may apply International Financial Reporting Standards.

Contacts

About Ernst & Young

Ernst & Young worldwide...

Ernst & Young is one of the leading global professional services companies. We show firms the opportunities for development and help them on their path to success. Ernst & Young is also a global leader in the field of tax advisory services. More than 144 thousand specialists in a variety of areas employed in 140 countries combine their expertise and international experience with their knowledge of local markets. It is our goal to provide innovative and practical solutions from start to finish of the project, all the way to its evaluation. Due to the broad range of our services, our highly qualified resources and our global reach we are able to serve our clients regardless of the location of their operations.

... and in Poland

Our Polish roots date back to the period from 1933 to 1939 when Ernst & Young's British predecessor, the firm of Whinney, Murray & Co provided advisory services in Warsaw. As Ernst & Young we have been operating in Poland since 1990. As a result of the merger with the Andersen team, Ernst & Young in Poland has become the largest advisory firm on the Polish market. We employ more than 1,300 professional advisors and auditors working in five offices in Warsaw, Cracow, Katowice, Poznan and Wroclaw.

When working with our corporate clients and entrepreneurs we focus not only on evaluating the current status but also on offering beneficial strategies for doing business. Our goal is to prepare firms to face the changing market reality and fiscal regulations so that our clients may achieve a competitive edge on a domestic and international scale.

We offer services in the following areas: assurance, business advisory services, tax advisory services, transaction advisory services, grants and incentives advisory services, accounting, real estate advisory services.

Our Services

Assurance

We audit financial statements prepared in accordance with Polish Accounting Standards (Polish GAAP), in accordance with standards issued by the International Accounting Standards Board (International Financial Reporting Standards or IFRSs), or generally accepted accounting principles in the United States (US GAAP). We provide assistance to companies that wish to prepare their financial statements in accordance with the EU regulations, especially those involved in transactions on capital markets at home and abroad.

Business Advisory

We help our clients solve their business problems. We demonstrate how to improve their activities according to the best worldwide standards, how to adjust to legal requirements and how to gain competitive advantage. We provide services in the following areas: financial or business risk management, financial advisory, performance and financial management. We advice our clients on fraud management, technology, and customer relationship management.

Greenfield and brownfield investments

Our Business Advisory Team provides comprehensive assistance to foreign investors in exploring commercial opportunities aimed at starting new operations in Poland.
We also provide post merger integration services to foreign investors who buy companies or operations in Poland.

Shared Services Centers

Our SSC Team combines multi-disciplinary expertise necessary for successful implementation of Shared Services organization in Poland. We support multi-national organizations in all aspects of SSC implementation including strategic planning, system and process design, project management, grants and incentives, financing, transfer pricing, location selection and legal support.

Tax Services

Our tax advisors help clients to minimize tax burdens while observing all legal regulations. We offer the following services:

- international tax
- VAT, customs and excise
- corporate income tax
- personal income tax and payroll – Human Capital
- social security
- investment strategies
- transfer pricing
- litigation
- financial solutions.

Legal services. The Law Firm N. Półtorak i Wspólnicy sp.k.

The Law Firm N. Półtorak i Wspólnicy sp.k., acting in association with Ernst & Young, offers a wide range of legal services. Thanks to its close co-operation with Tax, Business and Transaction Advisory of Ernst & Young, we provide our clients with comprehensive and integrated services.

The Law Firm combines many years' experience of its legal advisors and associates with the highest service standards applicable at Ernst & Young and the knowledge of business rules of our clients.

We offer legal advisory services in the following areas:

- company law/ commercial agreements law
- divestments and restructuring
- labor law
- competition and consumer protection
- real estate law
- intellectual property
- public tenders
- litigations.

We also have an extensive experience in the EU law, such as state aid, availability of the EU funds, the protection ane enforcement of the enterpreneurs' rights.

Grants and Incentives Advisory Services

Our professional advisors have comprehensive knowledge and long-term experience in raising funds in the form of grants and tax exemptions, thanks to which we are able to:

- indicate available sources of co-financing for investors
- help in the process of applying for financial assistance for new projects – primarily in the form of grants from EU funds, Multi-Annual Support Programmes and CIT exemptions within SEZs
- support our clients in the process of negotiating terms on which state aid is awarded by central and local government institutions
- advise enterprises at the stage of projects' implementation and utilisation of the awarded aid

Transaction Advisory Services

The core of our business is due diligence, where we service both the buy side and the sell side. We carry out independent valuations and prepare sensitivity analyses, in particular,business and investment project profitability analyses. We help assess business decisions to ensure they meet the planned strategic objectives and we supervise their implementation.

Our team also excels in the area of Purchase Price Allocation and impairment issues. We offer merger and acquisition assistance, through our ability to execute projects from their origination. Our credentials in this area also reflect the buy side and the sell side support.

We offer our knowledge and experience in developing specific investment plans. We advise on selecting the best financing structures and assist in fund raising including EU grants. Our team has excellent credentials in financial advisory in infrastructure projects.

Last but not least, we support our clients in restructuring and reorganisation processes.

Accounting Services

We provide accounting services and calculate payrolls. We use the latest technology (Global Integrator and e-room) to communicate with our clients. Thanks to a secure tool Accounting Online the financial data and payroll information we generate is available to our clients wherever they are.

Academy of Business – training services

We offer our clients courses preparing them for examinations for international professional organizations, multi-stage training programmes, short-term training sessions to expand their knowledge in a specific area as well as financial and managerial training. Together with the Warsaw School of Economics we run post-graduate studies on IFRS and internal audit for large public companies. All our courses are run by the best business practitioners who convey the knowledge and experience they have gained over many years of their professional career.

Financial Services

Financial Services Group comprises over 160 experts. We combine the knowledge of business trends with that of specific issues affecting individual areas of financial institutions' business.

We represent years of experience in advisory and assurance projects, carried out for the leading companies in the financial sector, including: financial, IT and business risk management, operational performance and customer relationship management.

Telecommunications

Telecommunications Group provides services in the most strategic areas of telecommunications sector, from cost analysis of products and services to regulatory advisory services and the support in complying with regulatory requirements.

Energy

Energy Sector Group brings together experts equipped with local and international experience in working for energy and fuel sector firms. Our wide knowledge of the Polish power and fuel market and our cooperation with an international team of experts enable us to provide truly comprehensive services to energy companies.

Automotive

Automotive Group includes professionals who combine the knowledge of business trends with expertise in the particular areas of the automotive industry. We have many years of experience in advisory projects conducted for the largest firms in the motor industry. Ernst & Young is a global leader in auditing financial statements for this sector.

Real Estate

Real Estate Group offers a full range of advisory services for all types of investments in the following sectors: offices, trade, hotels, entertainment facilities, residential real estate, industrial real estate and agricultural real estate. Our experts combine the knowledge of tax, accounting, assurance and financial advisory areas with the profound knowledge of real estate market.

Economic Strategy Team

Our Economic Strategy Team lends substantial support to all Ernst & Young business divisions. This team of experts prepares economic and regulatory analyses on a broad spectrum of topics. They also engage in Ernst & Young Better Government program that has been run for the last three years in order to support enhancing the quality of Polish public institutions.

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About Domański Zakrzewski Palinka

Domański Zakrzewski Palinka is the largest law firm in Poland. With our team of over 140 lawyers we serve clients from all business sectors, offering them comprehensive legal advice in all areas and law specialisations.

Thanks to our knowledge of both Polish and worldwide markets, we have helped numerous international firms with their operations in Poland. Our firm works with, among other institutions, the Warsaw Stock Exchange and the Polish Information and Foreign Investment Agency. We have often been the investor's main adviser, from company formation through all the various stages of its development. We have advised firms on acquiring Polish businesses, forming companies, and preparing for greenfield investments, including those in Polish Special Economic Zones (SEZ). Having assisted numerous foreign investors in Poland and supported various forms of capital investment in Polish businesses, we have the knowledge, experience and awareness of the local environment needed to help you quickly achieve your goal.

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Domański Zakrzewski Palinka is the leading Polish law firm with a global reach. We serve clients from all business sectors, offering them comprehensive legal advice in all law specialisations. The high quality of the services provided by our law firm is due to the outstanding professional qualifications of lawyers and our pragmatic approach to clients.

For more information, please visit www.dzp.pl

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