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Doing business in Poland

2017



pwc

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Why Poland?



The main reason one invests is the future prospect of benefit. There are plenty of ways you can achieve this goal – one accepts a higher or lower level of risk but one thing remains constant – one decides to invest after a long decision-making process and an in-depth analysis of various factors. What are the deciding factors when committing to an investment? Certainly the place where you want to invest plays a crucial role. Is it a European country? Developed or still developing? What is its economic situation? What is the attitude to investors? These are some of the questions that potential investors should ask. The experience from recent years shows that after a detailed analysis a lot of worldwide companies have decided to invest in Poland. This makes us stop for a moment and think – why Poland?



Let's start from the basics. Poland has a convenient location – it is located in the center of Europe, at the intersection of main communication routes – it is like a bridge between Western and Eastern Europe. This is a great advantage for potential investors – they have an easy access not only to the Polish internal market (approximately 38 million people) but also to the markets in other European countries (over 0.5 billion people). Another advantage are benefits which come from participation of Poland in different global organizations like the European Union, United Nations or NATO. Poland is therefore potentially politically stable and has a significant position on the international arena. From an economic point of view Poland is also trustworthy, the economy was not as affected by the global crisis as the economies of other European countries, but has additionally strengthened its position in the CEE and Europe as a whole during the crisis.



For a few years (mainly thanks to EU Structural Funds and the Cohesion Fund) Poland has actively invested in infrastructure – road and rail transport as well as energy infrastructure has undergone a thorough transition. Not only the infrastructure but the whole economy has gone through favorable years – the economic growth in 2016 was at the level of 2,8% and GDP per capita growth (purchasing power parity) was 70% of EU average. Various global reports prove that Poland is a good place for investments. According to Bloomberg's **2017** ranking, Poland is among the 50 most innovative countries in the world (**position 22.**). The ranking focuses on six tangible activities that contribute to innovation – R&D, manufacturing, Hi-Tech Companies, Education, Research Personnel and Patents.

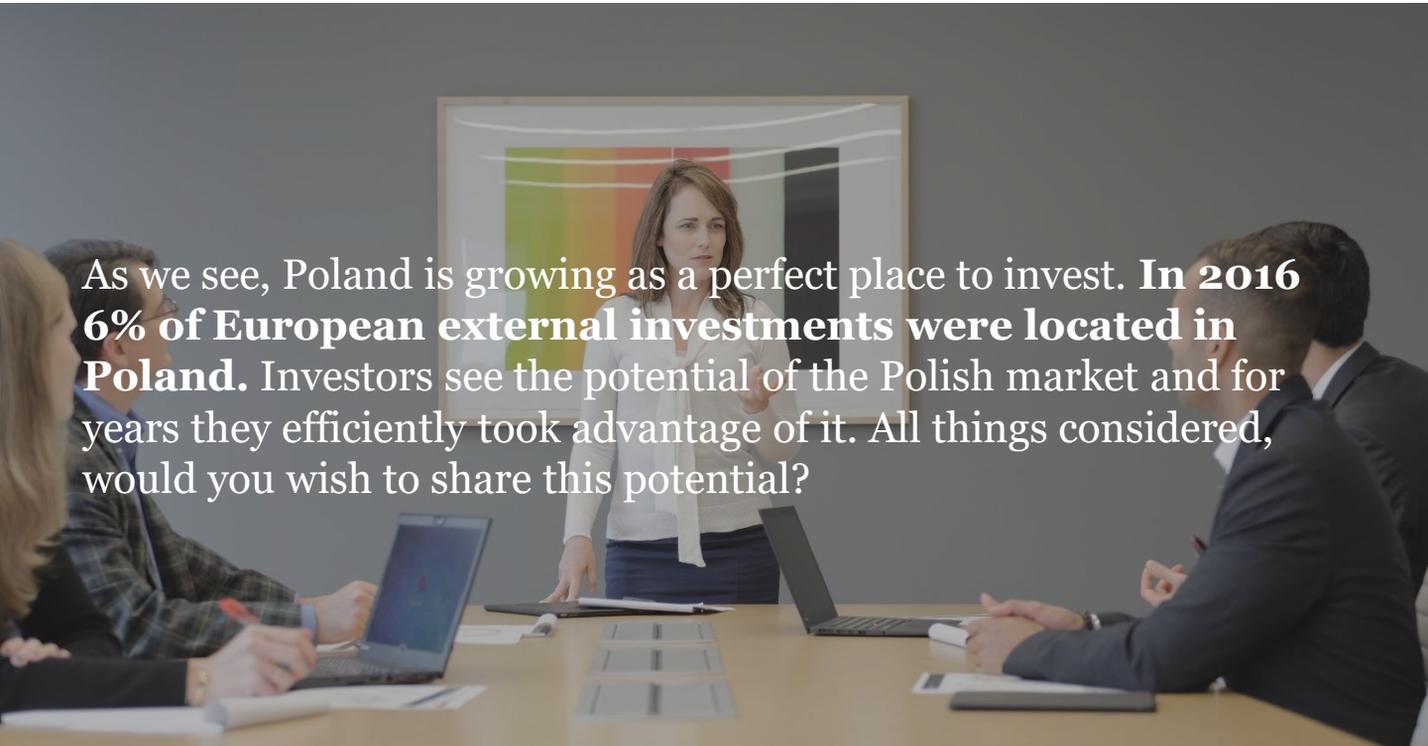
Why Poland?



Poland is not only attractive due to its geographical and political features but also due to its positive attitude toward new potential investors. Poland creates a friendly climate for investors and offers clear tax and legal rules. This is confirmed by the World Bank Group in the “Doing Business 2017” report, in which Poland was classified at the 24. position when it comes to “Ease of doing business”. Poland also offers a lot of investment incentives, such as special economic areas, tax credits, facilitation in employment, areas for investments and others. There are many institutions that provide advisory services to new investors from various industries. What is significant, the Polish economy is diversified and for years products and services provided in Poland are perceived as high-quality ones.



And last but not least – Poland provides a well-qualified employee base. Thousands of well-educated economists, engineers, IT specialists graduate every year from universities and become demanded in the market due to their specialized knowledge and skills.



As we see, Poland is growing as a perfect place to invest. **In 2016 6% of European external investments were located in Poland.** Investors see the potential of the Polish market and for years they efficiently took advantage of it. All things considered, would you wish to share this potential?

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Poland – Country profile

Geography

- The Republic of Poland, with an area of 312,679 square kilometers, is situated in Central Europe
- **Warsaw** is the capital of Poland, the biggest city and the location of the government. Other main cities are: Katowice, Kraków, Wrocław, Poznań, Gdańsk, Szczecin
- The population is over 38.5 million people, Poland is **the sixth most populous member state of the European Union**
- Poland is a member of NATO, the UN, the World Trade Organization, the Organisation for Economic Co-operation and Development (OECD), European Economic Area, International Energy Agency, Council of Europe, Organization for Security and Co-operation in Europe, International Atomic Energy Agency, European Space Agency, G6, Council of the Baltic Sea States, Visegrád Group, Weimar Triangle and Schengen Agreement



Political system

Poland is a representative democracy, with a president as a head of state. The government structure centers around the Council of Ministers, led by a prime minister.

Poland ranks in the top 20 percent of the most peaceful countries in the world, according to the Global Peace Index



Legal system

The Constitution of Poland is the supreme law in contemporary Poland, and the Polish legal system is based on the principle of civil rights, governed by the code of Civil Law

Poland – Country profile

Currency

Polish złoty



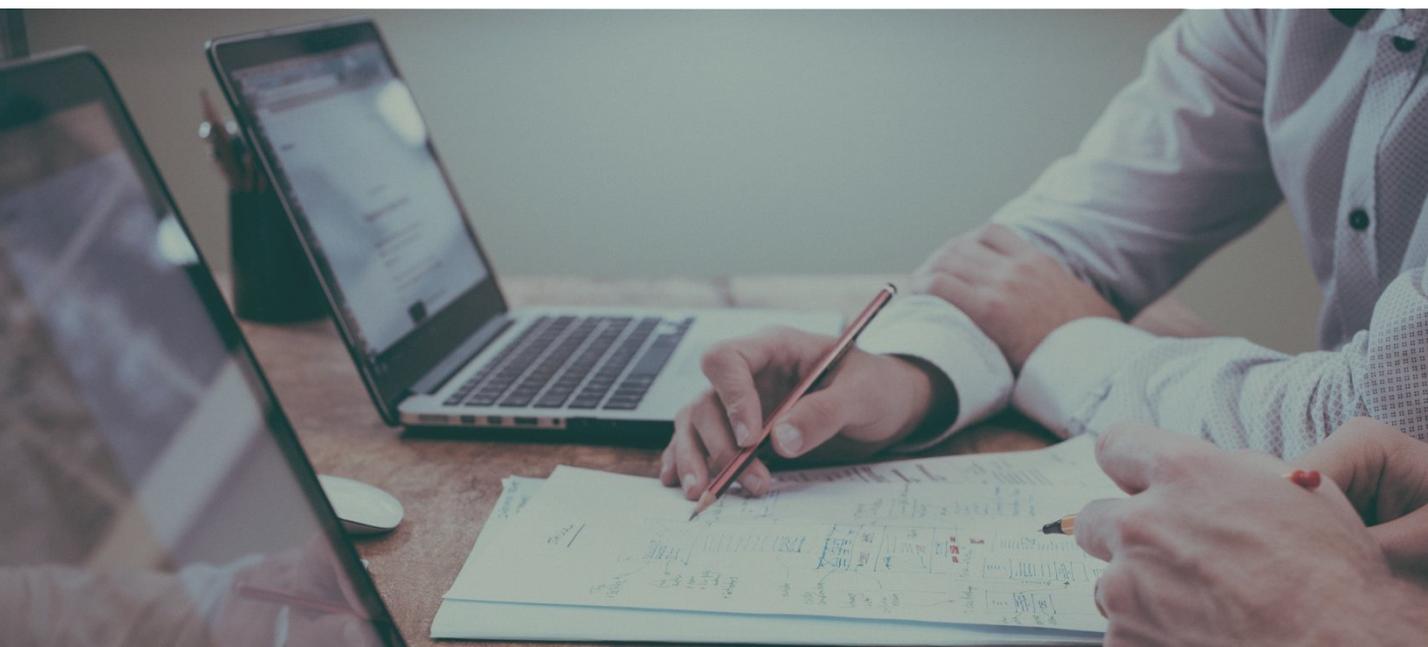
Language

Polish is the official language. It belongs to the Lechitic subgroup of Slavic languages:

- ▶▶▶ The Polish alphabet has 9 additions to the letters of the basic Latin script (ą, ć, ę, ł, ń, ó, ś, ź, ż)
- ▶▶▶ Dates are written DD/MM/YY or YY/MM/DD. A full stop (period) is used for the decimal comma, and long numbers are written with a point (999,999,999)

Business hours/time zone

- Normal business hours are from 8:00 am to 4:00 or 5:00 pm from Mondays to Fridays. One hour lunch break is generally from 12:00 noon to 1:00 pm. Standard working hours is 40,0 hours per week
- All of Poland is in the same time zone, one hour ahead of Greenwich Mean Time (GMT +1)



Poland – Country profile

Date	 Public holidays	
January 1	New Year's Day	
January 6	Epiphany	
Sunday in Spring (movable)	Easter Sunday	
Monday following Easter Sunday (movable)	Easter Monday	
May 1	Labour Day	
May 3	Constitution Day	
7th Sunday after Easter	Pentecost Sunday	
9th Thursday after Easter	Corpus Christi	
August 15	Assumption of the Blessed Virgin Mary	
November 1	All Saints' Day	
November 11	Independence Day	
December 25	Christmas Day	
December 26	Second Christmas Day	



Economy

Poland's economy is considered to be one of the more resilient of the post-Communist countries and is one of the fastest growing within the EU. Having a strong domestic market, low private debt, flexible currency, and not being dependent on a single export sector, Poland is the only European economy to have avoided the late-2000s recession. Since the fall of the communist government, Poland has pursued a policy of liberalising the economy. It is an example of the transition from a centrally planned to a primarily market-based economy. The country's most successful exports include machinery, furniture, food products, clothing, shoes and cosmetics. Poland's largest trading partner is Germany

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How to open business in Poland in 5 steps!

The most common type of company in Poland for investors with foreign capital is a **limited liability company** called in Polish: *spółka z ograniczoną odpowiedzialnością* (abbreviation: *sp. z o.o.*).

PwC Tax&Legal helps new investors in Poland in establishing their business presence in Poland. We advise our clients in all the necessary tax and legal steps required to start their business.

Please find below 5 key steps necessary to establish a fully operational limited liability company:



Preparation of Articles of Association in a form of notarial deed

The Articles of Association have to include some basic information about the company indicated in the Code of Commercial Companies such as: business name, registered office, scope of business activities, the amount of share capital (minimum PLN 5000), nominal value of shares, number of shares taken up by the shareholders, the term of the company if it is defined. To the remaining extent provisions of the Code of Commercial Companies are applicable. However, much of them may be amended by the Articles of Association, therefore, it is crucial to discuss the scope and wording of the Articles of Association with the investor to make them tailor-made



Execution of lease agreement or acquisition of real estate

The company needs to have a registered office in Poland. Therefore, it is important to have a legal title to some office space. The company may execute a lease agreement for its premises (or for a virtual office for the beginning of its business activity) or may acquire real estate. In case of long-term lease agreements it is necessary to have it properly prepared in order to avoid burdensome provisions that cannot be changed later on



Registration in the Polish Court Register

The next step required for the company to become fully operational is a registration with the Polish Court Register. In order to do that a motion should be prepared together with certain attachments and filed with the registry court. Registration by the registry court entails registration for tax purposes and in the Statistical Office



Opening a bank account



Registration for VAT purposes

What you should know?



Under Polish law a limited liability company is a separate legal person which means that it has its own assets and operates through its governing bodies



The shareholders are not liable for the company's obligations and their financial risk is limited only to the amount invested in the company's share capital



The share capital of a company may be financed in whole or in part both by kind as well as by in-kind contributions



There are two obligatory statutory governing bodies of a company: (i) a management board and (ii) Shareholders' Meeting. A supervisory board is obligatory only when certain conditions are met in terms of the share capital amount and the number of shareholders

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Establishing the company

The following capitalized terms shall have the following meanings:

AoA	Articles of Association
MB	Management Board
LLC	A Polish new limited liability company / LLC (Polish: spółka z ograniczoną odpowiedzialnością / sp. z o.o.)
PoA	Power of Attorney
Shareholder(s)	Future shareholder(s) of the LLC
CCC	Polish Commercial Companies Code

Polish law stipulates two ways of establishing a LLC:

- By execution of the AoA in front of a notary public
- By execution of the template of the AoA available through an IT system (via Internet)

This article refers to the standard way of LLC's establishment by executing the AoA in front of a notary public (no. 1 above). Only this way enables the Shareholder(s) to prepare tailor-made AoA for the intended business activity. Concluding the AoA via special IT system (no. 2 above) does not allow to adopt every wording of the AoA but limits the wording to certain options only. These few options of the AoA wording may not be adequate for business activity intended by the Shareholder(s) and corporate governance rules adopted in the Shareholder(s) group. Additionally, in case of establishing the LLC via option no. 2 only cash contributions are allowed. Taking into consideration these limitations relating to option no. 2, foreign entrepreneurs wishing to establish their business presence in Poland often choose to execute the AoA before a notary public which gives them broader flexibility in terms of AoA wording.

Shareholder(s) (1-2 weeks)	Shareholder(s) and MB (1-2 weeks)	Completion of LLC registration (1-2 weeks)
<ul style="list-style-type: none">Gathering the information indicated in Phase 1Choosing registered office and premises for the intended business activityDrafting AoA and other documents required for LLC establishmentChoosing bank providing bank account serviceObtaining excerpt from the commercial register for the Shareholder(s)	<ul style="list-style-type: none">Execution of AoAAppointment of MBExecution of lease/sublease agreementOpening of a bank account in Poland (including performing "know your customer" procedure)Executing documents constituting attachments to motion for the LLC's registration	<ul style="list-style-type: none">Filing of a motion for registration of the LLC in the registry courtLLC's registration with the National Court Register, tax office and Statistical OfficeObtaining by the LLC of KRS number (commercial registration number), NIP number (tax identification number) and REGON number (statistical number)

Establishing the company

Part 1: Preparatory phase – information that need to be prepared by the Shareholders

No. Information required	Party Responsible	Comments
1. Full name(s) and address(es) of the Shareholder(s)	Shareholder(s)	Please note that an LLC may not be incorporated by a sole shareholder being a single-member limited liability company.
2. Business name of the LLC		The business name may be chosen freely (unless it does not interfere with other existing business names of other entrepreneurs conducting business activity on the same market).
3. Registered office of the LLC		Name of a city in Poland, where the registered office of the LLC shall be located
4. Scope of the LLC business activities		Description of activities to be performed by the LLC should be adjusted to the Polish classification of business activities.
5. Amount of the share capital of the LLC along with number and nominal value of shares		The minimum share capital of the LLC is PLN 5,000. The minimum nominal value of one share is PLN 50. The share capital shall be paid up in full before registration.
6. Kind of contribution(s) made by the Shareholder(s)		Cash or in-kind contributions.
7. Financial year		Financial year doesn't have to coincide with the calendar year.
8. Rules of representation of the LLC		Unless the AoA do not provide otherwise and the MB is composed of more than one member, LLC, based on provisions of the CCC, shall be represented by two MB members acting jointly or one MB member acting together with a registered proxy.
9. Term of office of the MB members		MB members may be appointed either for indefinite or definite term of office
10. Full name(s) and address(es) of MB members (along with copies of their passports/IDs)		
11. Supervisory Board		Supervisory board is not an obligatory corporate body of LLC, unless LLC share capital exceeds PLN 500,000 and there are more than 25 shareholders.
12. Intended date of commencement of business activity by the LLC		
13. Place and business name of an entity responsible for keeping LLC books and documentation (if any)		
14. Information on bank for the LLC's bank account		The bank account may be opened after the AoA are executed or after the LLC is registered. In case of LLCs with relatively high share capital it is recommended to open the bank account before filing a motion for LLC's registration. Members of the MB signing statement that the contributions towards the LLC share capital have been made in full by all shareholders are liable for correctness of such statement.
15. Excerpt(s) from a relevant commercial register(s) maintained for the Shareholder(s)		Excerpt shall be legalized/apostilled if obtained outside of Poland.

Establishing the company

Part 2: Execution phase

No. Information required	Party Responsible	Comments
1. AoA of the LLC	Shareholder(s)	The AoA should be executed in the form of a notarial deed. As of the moment of signing of the AoA, the LLC in organization is established. The LLC in organization may acquire rights and undertake obligations which will be transferred automatically to the LLC after its registration. AoA may be executed by a proxy appointed by Shareholder(s). PoA to execute AoA should be executed also in a form of a notarial deed (and legalized/apostilled if executed outside of Poland).
2. Statement(s) of member(s) of the LLC MB on address(es) and consent to the appointment	MB	
3. Statement of the LLC MB on payment of contributions by all shareholders of the LLC		The statement should be signed by all members of the LLC MB. It should be executed after receiving a confirmation from the Shareholder(s) on the payment of the contribution(s).
4. List of shareholders of the LLC		This document should be signed by all members of the LLC MB.
5. Register of shares of the LLC		This document should be signed by all members of the LLC MB.
6. Information on the sole shareholder of the LLC (if applicable)		
7. Copy of lease/sublease agreement		

Part 3: Registration phase

No. Information required	Party Responsible	Comments
1. Registration of the LLC with the National Court Register	MB	Within six months after the execution of the AoA, a motion for LLC registration should be filed with the Polish National Court Register. Motion should be signed by all members of the LLC MB or by attorney-at-law appointed by the MB. After LLC registration with the National Court Register, NIP number and REGON number are assigned automatically.
2. Updating information regarding LLC in tax office		LLC should also file NIP-8 application form to update information about the LLC in tax office (such as LLC's bank account, place of holding accounting documents etc.).
3. Registration for VAT purposes		After registration with the National Court Register, the LLC should also file a VAT-R application to register itself as a VAT payer (if applicable).

Costs connected with establishing LLC:

-  Notarial fee for preparing the AoA in the form of a notarial deed: it depends on the amount of the LLC share capital but not more than 10.000,00 PLN
-  Tax on civil law for preparing the Articles of Association which is collected by a notary together with a notarial fee.
-  Charge for registration of the LLC in the National Court Register: 600,00 PLN

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Taxation in Poland

Corporation Income Tax



General Information

A company (legal entity) that is a resident in Poland for tax purposes is subject to corporate income tax (“CIT”) on its worldwide income. A non-resident company is liable to CIT only on income generated in Poland. Taxation of non-residents may be further limited, if the non-resident’s home country has concluded a Double Tax Treaty with Poland.

A company is considered as a Polish resident if its registered office or management is located in Poland. Thus, Polish subsidiaries of foreign companies are treated as residents of Poland for CIT purposes



CIT rate

The CIT is collected at a flat rate of 19% or 15% for small taxpayers (i.e. taxpayers whose value of sales revenue – including the amount of VAT due – did not exceed in the previous fiscal year, the amount corresponding to the equivalent of EUR 1.2 million, expressed in PLN) and for those starting a business

CIT rates - 19% and 15% for small taxpayers

Filing obligations

Companies are required to submit an annual CIT-8 return within 3 months of the tax year end via electronic communication.

CIT is payable in monthly instalments by the 20th day of each month for the preceding month.

Small taxpayers, i.e. companies, whose gross sales revenue including output Value Added Tax in the previous tax year was less than EUR 1,200,000 may pay in quarterly instalments. The quarterly method of CIT settlement may also be applied by companies starting their business activity, but only in their first tax year. In the following periods they would have to pay CIT on a monthly basis, unless they are small taxpayers.

Additionally, provided that certain conditions are met, taxpayers may apply a simplified method of CIT payment, i.e. equal to 1/12 of due CIT stated in the tax return for the previous tax year. If no due CIT was revealed, taxpayers may pay monthly instalments equal to 1/12 of due tax resulting from a tax return submitted in a tax year preceding the current tax year by two years



Taxation in Poland

20th day of each month for the preceding month – CIT is payable

Tax base

%

The tax base is the overall income, being the difference between aggregated taxable revenues and aggregated tax deductible costs.

The starting point is in accordance with generally accepted accounting principles, with certain statutory adjustments.

Some of the most common adjustments are:

- »» Representation and entertainment expenses
- »» Depreciation write-offs for cars, the value of which exceeds EUR 20,000 in the part exceeding this value
- »» Tax penalties and budget interest
- »» Donations
- »» Income taxes paid in Poland and abroad
- »» Expenses not incurred with the purpose of generating or securing taxable revenues
- »» Unpaid interest
- »» Accruals
- »» Unrealized foreign exchange gains and losses



Taxation in Poland



Losses

Tax losses may be carried forward and utilized over five consecutive tax years, however, in any particular year no more than 50% of a loss may be deducted. Thus, the minimum period in which a tax loss carried forward may be utilized is two years



Transfer Pricing

- »» Transactions between related parties should be conducted in accordance with the arm's-length principle
- »» The Polish transfer pricing regulations (including CIT Law) provide for specific detailed requirements for statutory transfer pricing documentation



Withholding Tax

- »» The general withholding ("WHT") rate for dividends is 19%. Payments made by Polish residents to foreign entities (non-residents) as a consideration for intangible supplies (such as consulting or management services) are subject to 20% WHT rate. The same WHT rate is applicable to interest and royalties paid to non-residents
- »» These WHT rates may also be reduced (in respect to dividends) or avoided (in respect to intangible services) by specific provisions of Double Tax Treaties concluded by Poland and the respective countries
- »» WHT is payable in monthly instalments by the 7th day of each month for the preceding month
- »» Companies are required to submit an annual CIT-10Z return within 1 month of the tax year end via electronic communication

Value Added Tax



General Information

The system of Value Added Tax (“VAT”) in Poland is essentially similar as that used in the rest of the EU.

VAT is levied on supplies of most goods and services. Entrepreneurs conducting activities subject to VAT should register as VAT taxpayers. In general, VAT is reported on a monthly basis, but some small taxpayers may also opt for a quarterly reporting period. Most taxpayers are obliged to prepare and submit SAF-T files without a request from the tax authorities. Businesses conducting intra-Community transactions or transaction involving sensitive goods are also obliged to submit additional VAT returns reporting such transactions.

There are certain exemptions when input VAT should not be deducted, i.e. on gastronomy or hotels expenses, or may be partially deducted, i.e. on expenses for operation or use of passengers cars).



VAT rate

Since January 1, 2011, the VAT rates are 23% (standard rate), 8%, 5%, 0% and exemption

Basic VAT rate is 23%

Filing obligations

Companies are required to submit a monthly VAT-7 return and SAF-T till the 25th day of each month for the preceding month end via electronic communication.

VAT is payable in monthly instalments by 25th day of each month for the preceding month



Refunds

According to the Polish VAT rules, when input VAT (available for deduction) exceeds output VAT, a taxpayer is entitled to a direct refund. The standard refund period for entities registered for VAT purposes in Poland is 60 days



Standard Audit File – Tax

New regulations introduce a so called Standard Audit File for Tax (SAF-T) in Poland (pl. Jednolity Plik Kontrolny – JPK), which is treated as a regular evidence for the purposes of tax control activities.

SAF-T is an international standard for electronic exchange of reliable accounting and tax data format for VAT Registers



Other taxes and incentives



Excise duties

Excise is levied on the production, sale, import and intra-community acquisition of “excise goods” which are enumerated in the excise duty law and include, among others, alcohol, cigarettes, energy products (e.g. petrol, oils, gas), electricity and raw tobacco. In addition excise duty is levied on the import and intra-Community acquisition of passenger cars in Poland as well as in case of the first sale of a passenger car which was not yet registered in Poland if it was manufactured in Poland.

Excise duty rates depend on the type of excise good and may be of the following types:

- »» an amount per unit
- »» a percentage of the maximum retail price
- »» an amount per unit and a percentage of the maximum retail price
- »» a percentage of the taxable base

Excise duty law indicates various exemptions from excise duty.



Customs duties

Customs duty is levied on the importation of goods from outside the EU to Poland or other EU country. Once the relevant customs duty is paid in any of the member states, the imported goods can be circulated within the whole EU with no further customs restrictions.

Based on the EU customs duty tariff, the standard customs duty rates vary and depend on the classification of the imported goods.



Civil law activities tax

Civil law activities tax (“CLAT”) is levied on certain contracts and amendments to such contracts if they result in an increase in the base of CLAT, such as:

- »» contracts of sale and exchange of things and property rights (if not subject to VAT)
- »» loan agreements
- »» foundation deeds of a partnership or company

However, a transaction is out of scope of CLAT if at least one of the parties to the transaction is subject to or exempt from VAT, with some exemptions (e.g. sale of real estate, sale of shares). The CLAT rate depends on the type of contract, i.e. loans are subject to a 2% CLAT rate (except for loans granted by shareholders to a capital company), acquisition of shares is subject to a 1% CLAT rate and increase in a company’s share capital is subject to a 0.5% CLAT rate.

Other taxes and incentives



Real estate tax

In Poland real estate tax (“RET”) rates are determined by municipalities within limits specified by the Law on Local Taxes and Fees. In 2017 land related to business activity is subject to RET at a max. rate of PLN 0.89 (approx. EUR 0.2) per square meter, while buildings related to business activity are subject to RET at a max. rate of PLN 22.66 (approx. EUR 5) per square meter of usable area. Additionally, constructions related to business activity are also subject to RET at a 2% rate and the tax base is the their value.

The Law on Local Taxes and Fees provides for certain tax exemptions and a possibility for the municipalities to introduce additional tax exemptions *i.a.* for new investments.



Donations and inheritance Tax

Gifts and inheritances of Polish property are subject to taxation. The PIT taxpayers are their beneficiaries. The tax is levied on the market value of the property less debts and related expenses. Inheritance tax rates vary from 3% up to 20%, depending on beneficiary’s classification. A part of the inheritance is tax exempt

Other taxes and incentives



Special Economic Zones

Polish legislation provides investment incentives related to business activities carried out in 14 zones defined as Special Economic Zones (“SEZ”). In order to benefit from certain incentives a permit from the Ministry of the Economy is required.

SEZ offer CIT exemption up to 50% of the investment expenditure, i.e. the entity is exempt from CIT up to 50% of the investment expenses.

Other than the CIT exemption, SEZ offer the following benefits for investors:

- »»» availability of a land with all necessary infrastructure
- »»» availability of a “built to suit” real estate for lease or purchase
- »»» availability of grants
- »»» administrative support from the SEZ administrator

CIT exemption 50%



Research and Development tax relief

The new tax relief is available from the beginning of 2016 (“Relief for new technology”) is available to all entities operating in Poland, except for entrepreneurs carrying out business activity in SEZ.

An entrepreneur applying for the R&D relief is entitled to deduct up to 130% of qualified and incurred expenditures from his tax base, for example:

- »»» remunerations and social security contributions of employees
- »»» goods and resources
- »»» expertizes, consultancy services, scientific researches
- »»» paid use of the research equipment in R&D
- »»» depreciation of fixed assets and intangible assets used in R&D

The taxpayer should define the activities and qualified costs for the R&D and keep records of said costs

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Employment Legislation

Payroll in Poland



National Minimum Wage

- Starting from 1 January 2017 the minimum gross wage in Poland is 2000 PLN
- The minimum gross hourly rate in Poland is 13 PLN per hour



Working time

- 8 hours/day
- 40 hours in a five-day settlement week



Components of social security premiums paid by employer and employee

- Retirement, Disability, Accident and Sickness contributions
- Health Insurance

Employer obligations - Payroll administration



Registration

- In the Social Security Authority (ZUS) – within 7 days from the date of employment of the first employee
- Of the employees with Social Security Authority – within 7 days since the date of employment



Reporting on a monthly basis

- Preparing and submitting monthly declarations to ZUS as well paying the liability – until 15th day of each month for the preceding month.
- Paying the income tax liability – until 20th day of each month for the preceding month



Annual filing deadline

- 31 January – Employer Annual Tax Returns (PIT-4R, PIT-8AR)
- 28 February – Annual Information about Income and Withholding Tax for employees (PIT-11, PIT-40)
- 30 April – Employee tax return declaration (PIT-37)

Employment Legislation

Company obligations – related to HR administration processes

- »»» Coordination of medical check up for new employees in order to confirm that the employee is allowed to perform his work on an appropriate position – before the start of the employment, then periodical and controlling
- »»» Coordination of Hygiene and Safety trainings (BHP) for new employees – no later than on the first day of employment, and periodically later on
- »»» Creating and maintaining personal files for each of employee in accordance with Polish Labour Law
- »»» Employment contract signed on the first day of employment but before admitting to work and acquaintance with internal regulations

Social and Health Insurance contributions in Poland in 2017

Type of insurance	Contributions paid on gross earnings up to annual cap of PLN 127890,00			Contributions paid on gross earnings above annual cap of PLN 127890,00		
	Total percentage rate	Employer's part	Employee's part	Total percentage rate	Employer's part	Employee's part
Pension	19.52 %	9.76 %	9.76 %	-	-	-
Disability	8.00 %	6.5%	1.50 %	-	-	-
Sickness	2.45 %	-	2.45 %	2.45 %	-	2.45 %
Accident	1.80% ¹⁾	1.80% ¹⁾	-	1.80% ¹⁾	1.80% ¹⁾	-
	from 0.40 % to 3.60 % ²⁾	from 0.40 % to 3.60 % ²⁾	-	from 0.40 % to 3.60 % ²⁾	from 0.40 % to 3.60 % ²⁾	-
Labour fund	2.45 %	2.45 %	-	2.45 %	2.45 %	-
Employee guaranteed benefits fund	0.10 %	0.10 %	-	0.10 %	0.10 %	-
Total social insurance contributions	from 32.92 % to 36.12 % ^{1),2)}	from 19.21 % to 22.41 % ^{1),2)}	13.71 %	from 5.4 % to 8.6 % ^{1),2)}	from 2.95 % to 6.15 % ^{1),2)}	2.45 %
Health ³⁾	9.00 %	-	9.00% ⁴⁾	9.00 %	-	9.00% ⁴⁾
Total health insurance contributions	9.00 %	-	9.00 % ⁴⁾	9.00 %	-	9.00 % ⁴⁾
Total social and health insurance contributions	from 41.92 % to 45.12 % ^{1),2)}	from 19.21 % to 22.41 % ^{1),2)}	22.71 %	from 14.4 % to 17.6 % ^{1),2)}	from 2.95 % to 6.15 % ^{1),2)}	11.45 %

¹⁾ Employing up to 9 employees (binding from 1 April 2017)

²⁾ Employing above 9 employees – percentage rate depends on type of economic activity (binding from 1 April 2017)

³⁾ Contributions paid on the assessment basis, i.e. gross income decreased by the amount of the employee's part of social security contributions.

⁴⁾ The amount of 7.75% of assessment basis is deducted from the employee's personal income tax liability

Employment Legislation

Personal income tax

In general, the Polish personal income tax (“PIT”) system is of a progressive nature and currently provides for two rates: 18% and 32%, in excess of a personal allowance (variables)

<i>Income (in PLN)</i>	<i>Income tax (in PLN)</i>
Up to 85,528	18% minus the variables amount exempt from tax
Above 85,528	14,839.02 + 32% of the surplus over 85,528

- The tax advances should be calculated using the appropriate tax rates and paid to the relevant tax office by the 20th day of following month. The higher tax rate is calculated from the next month after the month the employee’s income has reached the limit of 85 528 PLN
- Reporting obligations cover also preparing annual information (PIT-11 form to be issued by the end of February of the year following the given fiscal year). According to the general rule annual information should be filed electronically

PFRON – the State Fund for Rehabilitation of the Disabled

- If the employment in the Company is at least 25 employees per full-time job (monthly average employment) the PFRON registration is mandatory
- Preparing the declaration and submitting to PFRON as well paying the liability - until 20th day of the following month after the month of obligation is required
- The employers are exempt from these payments obligation to PFRON when:
 - The employment rate of disabled people is at least 6% (this index is the average monthly percentage of disabled persons in total employment in FTE)
 - When the company is in liquidation or is a declared bankrupt

Employment Legislation

Sickness

As per the Polish Social Security Coverage, for the first 33 days of sick leave in a given calendar year the employee receives a sickness remuneration at a rate of 80% of the sickness benefit basis. After 33 days of sickness absence the employee receives the sickness allowance at the same 80% rate of the sickness benefit basis for each day of absence (in some cases 100%) covered by the Social Security Authority from the Sickness Insurance of Social Security Coverage

The length of holiday leave

- 20 days - if the employee has been employed for less than 10 years
- 26 days - if the employee has been employed for more than 10 years

Benefits related to maternity leave

The total length of maternity leave and leave for parents depends on how many children were born and equals:

- 52 weeks in case of giving birth to one child
- Basic maternity leave – 20 weeks
- Leave for parents – 32 weeks
- 2 children (31+34) = 65, 3 children (33+34)=67 etc.

The benefit during the types of leave is differentiated and amounts to 100% and 60% or 80% during the whole period depending on the way of submitting the request for a leave



Employment Legislation

Social Fund



The Fund is created by entities that employ at least 50 full-time equivalent employees on the 1 January of a given year

The employer could take a decision that the Social Fund will not be created



According to the Act of 4 March 1994 on a social fund in an undertaking (the Act), the resources from the Social Benefit Fund (the Fund) may be spent on the social activity of an employer. Therefore, the Fund is set up in order to satisfy the social needs of the employees and to eliminate the social differences between them



The detailed way of spending the funds in a given business should be set up by the employer in the Social Fund Regulation. For the purpose of storing the Fund resources the employer is obliged to have a separate bank account



The allocation should be transferred to the Fund in two installments: the first one in the amount of 75% of the total amount until 31 May of a given calendar year and the second one - 25% of the total amount until 30 September of a given calendar year. However, if the employer, who is obliged to set up the Fund, starts the activity in the course of the year, the allocation should be made starting from the following calendar year

Most popular bonuses in Poland granted by Employers



Medical Care, company car, company phone



Sport activities (swimming pool, gym, fitness), life insurance



Training and courses, saving plans



Dentist care, Employees Pension Plan, tickets for cultured events

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Accounting

Key facts about financial statements



Preparation of the financial statements
Within 3 months after the balance-sheet date



Approval of the financial statements
not later than 6 months after the balance-sheet date



Deadline for the submission of the financial statements to the national court register
within 15 days from the date on which the annual financial statement was approved



Deadline for the submission of the financial statements to the tax authorities
within 10 days after the day of approval of the annual financial statement

Obligatory Auditing

Annual financial statements for most entities are audited if in the financial year preceding the year for which the financial statements are prepared the entity fulfilled at least two of the following conditions



Average annual full-time employment attained or exceeded 50 persons



Total balance sheet assets at the end of the financial year attained or exceeded a Polish currency equivalent of EUR 2,500,000



Net revenue from the sales of products and goods, as well as financial transactions for the financial year attained or exceeded a Polish currency equivalent of EUR 5,000,000

Simplified rules of drawing financial statement



In light of the current provisions of the Accounting Act simplified financial statements can be drawn up by micro-entities and small entities. In order for micro-entities and small entities to benefit from this opportunity, an appropriate resolution needs to be passed by the shareholders



The Accounting Act defines small entities as entities which during the financial year for which they draw up financial statements, and during the preceding year, did not exceed more than one of the following three values:

- 17,000,000 PLN - for total balance-sheet asset value at the end of the financial year,
- 34,000,000 PLN - for net revenues from sales of goods and products for the financial year,
- 50 persons - for average annual full-time employment

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About PwC

How we can help

Before you start operating in Poland, we will help you



Identify the most beneficial legal form of business presence in Poland, both from business and tax perspective



Set up a fully operational polish entity



If you operate within regulated business – we will assist you in obtaining all necessary permits



Open a bank account



Structure shareholding and financing, including financing of acquisitions, in the most tax efficient way



Apply for any applicable grants and incentives (public aid)



Understand and address polish tax implications (income taxes, vat, customs, etc.)



Handle initial payroll obligations



Obtain work and stay permits for your staff (if required)

On-going support

Once your Polish entity becomes operational, we can help you handle its day-to-day operations:



Legal support and Registration



Payroll



Accounting



HR administration



CIT compliance



Tax support



VAT compliance

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About PwC

At PwC, we measure our success by yours. Every day over 236,000 people in 157 countries go to work to help our clients succeed. From Dublin to Durban, from Minneapolis to Manila, our job is channelling knowledge and value through our lines of service and industry-specialised practices.

Sound governance and transparency form the bedrock of leadership. We are committed to serving as a force for integrity, good sense and wise solutions to the problems facing businesses and the capital markets today.

Transparency and good standards of corporate governance - both in our clients' businesses and in our own - are central to our ability to achieve those objectives. And we aim to continue to achieve them from our position of strength and professional leadership.

PwC in Poland employs over 4500 specialists and support staff in eight cities: in Gdansk, Katowice, Krakow, Lodz, Poznan, Rzeszow, Wroclaw and Warsaw.



157 countries



776 locations



236 000 people



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