



Doing Business in Poland

Content

Introduction

5 About Vistra

Introduction to Poland

7 Why Do Business in Poland?

8 The Difficulties of Doing Business in Poland

Business Environment in Poland

10 Legal Entities

18 Taxation

21 Employment and Labour Law

Your Partner in Poland

27 How Vistra Can Help Grow Your Business in Poland

30 Contact



Introduction

About Vistra

Ranked among the top three corporate service providers globally, Vistra is a versatile group of professionals, providing a uniquely broad range of services and solutions. Our capabilities span across international incorporations to trust, fiduciary, private client services, and fund administration.

We have a strong presence internationally, with offices throughout the Americas, Europe, Middle East, and Asia Pacific.

As a leading global player with expert industry knowledge and location specialists, Vistra has a deep understanding of the professional worlds of our clients and a proven track record of offering highly versatile solutions, providing the people, processes, and products that help our clients get the most from their international business.

At Vistra, we are happy to assist you with expanding your business into Poland.

Poland, situated in the heart of Europe, is the largest economy in Central and Eastern Europe. Owing to its economic and political stability, as well as educated and competent staff with extensive foreign languages skills, Poland is one of the most attractive locations for foreign investments.

As a first step, we present you a brief insight into the country as well as into its economy, culture, customs, and regulations.





Introduction to Poland

Why Do Business in Poland?

Developing economy

Poland is the largest economy in Central and Eastern Europe and the sixth biggest economy on the continent. It was the only country in Europe that strengthened its position in times of the global economy crisis. World class companies often choose Poland for their investment destination in Europe due to its attractiveness and business friendly climate, which is often highlighted in international reports. Poland invites foreign investors to locate their projects in 14 Special Economic Zones (SEZ) where economic activity may be conducted in favourable conditions.

According to FDI Markets report, in 2017 Poland had the second best result for foreign investment with EUR 12.89 billion invested by foreign entities, and the best result in the whole European Union for the number of jobs created. The total value of FDI projects, as well as the number of jobs doubled on an annual basis.

Highly qualified human capital

Each year 400,000 students graduate from 500 universities in Poland and the number keeps growing. The majority of graduates have a good command of the English language with German, Russian, French, and Spanish also being very popular. Well-educated Polish graduates are highly sought-after on the market and they easily find employment within international companies. Polish universities educate specialists with expertise in various areas, however more and more young people choose to gain technical knowledge and become engineers, IT specialists or scientists, highly valued in the whole of Europe.

Location

Poland is located in the very centre of Europe which offers a number of advantages for business expansion. The country borders with Germany, Czech Republic, Slovakia, Ukraine, Belarus, Lithuania and Russia (Kaliningrad Oblast), giving access to 250 million consumers within a 1,000 km radius. Numerous airports and seaports, the network of roads and motorways which is constantly being developed, as well as the east-west and the north-south transit routes which cross within Poland's territory, mean that the transport of goods is possible all over the world.

Vistra as the bridge

Vistra enables clients to focus on their core business priorities and investment interests by providing solutions that support investors in managing time-consuming, yet fundamental, administrative, statutory compliance, and reporting needs.

With offices in Warsaw, Lublin, Krakow, Poznan and Wroclaw, Vistra Poland offers a high level of professional service from qualified, experienced staff managed by a team with Big Four backgrounds.

We have built an impressive client base which includes multinational corporations, property funds and investors, private equity funds, oil and gas exploration companies, as well as high net worth individuals.

We offer a broad range of corporate services for inward investors and established business operations. Our approach is always personal. We develop perceptive solutions to the often complex needs of each individual client.

The Difficulties of Doing Business in Poland

Language

The main language of communication in Poland is Polish. Even though English is widely used in larger cities, all official communications are carried out in Polish. The language barrier remains a tough one for international corporates and personnel to overcome.

Waiting times

The whole process of setting up a company in Poland can take up to six months. In order to economise on time and money, we advise to consider investing in a ready-made shelf company. Vistra can provide a wide range of legal types of companies, which will suit any investor's needs. With all the necessary documents provided, a shelf company can be purchased in merely 24 hours.

Legal system

Although many of the European Union regulations have already been applied in the Polish legal system, facilitating the ways of conducting international business, companies laws and related acts still pose quite a challenge for investors. We advise businessmen to consult any important undertakings with expert lawyers and investment advisers.

Tax obligations

Due to profound integration, the Polish tax system bears resemblance to European standards in most aspects. Nevertheless, investors visiting Poland for the first time might need assistance in successfully complying with all the provisions, keeping in mind that Polish tax authorities are authorised to impose burdensome penalties.



Business Environment in Poland

Legal Entities

Legal basis

The essential act defining the jurisdiction of managing businesses in Poland is the Polish Commercial Code of 2000. Specific legal undertakings are also governed by acts such as the Accounting Act, the Civil Code or the Tax Ordinance Act. Since Poland is a party to numerous international and bilateral treaties, in most cases foreigners have the same status as Polish citizens in relation to business activity. Hence they can, for example, invest in the Polish market or act as a chairperson of a Polish company.

Legal entities

The first step to setting up a business in Poland is to decide on the legal form of the business. Entrepreneurs who are willing to conduct large scale investments in Poland often choose to form a joint-stock company, which can acquire a considerable capital by issuing its shares. Those who prefer supervising every aspect of a company on their own prefer sole proprietorships, which are created by a single person and do not require minimum capital or appointing collective bodies. Businessmen working together in Poland usually form a limited partnership thus not subjecting their whole capital to liability while investing in a yet unknown market. Foreign investors may also use a branch office or a representative office to conduct business activities in Poland.

Limited liability company (Sp. z o.o. – Spółka z ograniczoną odpowiedzialnością)	
Establishment	Established by one or more individuals or legal entities. May not be established as a wholly owned subsidiary of another single shareholder limited liability company.
Representation	Represented by the Management Board (consisting of at least one person, not necessarily a Polish citizen) according to principles laid down in a company deed or Commercial Companies Code; although the ultimate authority is a Shareholders Meeting. Supervisory Board may be optionally appointed, however it is obligatory if certain conditions are met.
Liability	Liable for its debts and obligations with its whole property; normally shareholders are not liable for the company's debts and obligations.
Minimum share capital	PLN 5,000 (approx. EUR 1,190)

Joint-stock company (S.A. – Spółka akcyjna)	
Establishment	Established by one or more individuals or legal persons, however it may not be established as a wholly owned subsidiary of a single shareholder limited liability company. Can also issue bearer shares.
Representation	Represented by the Management Board (consisting of at least three persons), but Supervisory Board is obligatory in this company.
Liability	Liable for its debts and obligations with its whole property without any limitations; shareholders are not liable for the company's obligations, but bear a risk up to the value of shares taken up.
Minimum share capital	PLN 100,000 (approx. EUR 23,809)

Professional partnership (Sp.p. – Spółka partnerska)	
Establishment	Form of personal partnership established by partners for the purpose of pursuing a profession. Partners may be exclusively natural persons authorised to practice the profession, specified in the Commercial Companies Code, e.g. lawyers, architects, engineers, insurance brokers, tax advisers.
Representation	Each partner has the right to represent the partnership.
Liability	Although all partners are allowed to represent the company, a partner is liable to the creditors for debts and obligations which arise from his own undertakings only. He is not liable for independent actions of other partners, nor employees managed by them.
Minimum share capital	No requirements

Registered partnership (Sp.j. – Spółka jawna)	
Establishment	Formed by a minimum of two individuals or legal persons.
Representation	Each partner has the right to represent the company.
Liability	Each partner is liable without limitation, for the debts and obligations of the partnership, jointly with other partners and the partnership, to the extent of his or her entire assets.
Minimum share capital	No requirements

Limited partnership (Sp.k. – Spółka komandytowa)	
Establishment	Form of personal partnership established for the purpose of operating a business by a minimum of two individuals or legal persons.
Representation	Partnership may be represented exclusively by a general partner, a limited partner can represent the partnership if appointed as proxy.
Liability	At least one partner is liable to the creditors for the debts and obligations of the partnership without limitation (the general partner) and at least one partner has a limited liability (limited partner). However if the business name of a limited partnership includes the name or business name of a limited partner, such partner is liable for the obligations of the partnership without any limitation.
Minimum share capital	No requirements

Limited joint-stock partnership (S.K.A. – Spółka komandytowo-akcyjna)	
Establishment	Formed by a minimum of two individuals or legal persons.
Representation	May be represented exclusively by a general partner; shareholder can represent the partnership if appointed as proxy. Supervisory Board may be optionally appointed, however it is obligatory if certain conditions are met.
Liability	One partner is liable to the creditors for the debts and obligations of the partnership without limitation (the general partner) and at least one partner is a shareholder and is not liable for debts and obligations of the partnership, however if the business name of the limited joint-stock partnership includes the name or business name of a shareholder, such shareholder is liable for the obligations of the partnership without any limitation.
Minimum share capital	PLN 50,000 (approx. EUR 11,904)

European company (SE – Spółka europejska)	
Establishment	Different ways of establishment, i.e. by merger, conversion, creating a capital group/holding or forming a subsidiary.
Representation	Statutory freedom guaranteed by the shareholders and founders in the selection of the internal system of governing bodies, it can be either European unitary or dual board structure.
Liability	Liable for its debts and obligations with its whole property; normally shareholders are not liable for the company's debts and obligations.
Minimum share capital	EUR 120,000

Sole proprietorship/sole trader	
Establishment	Formed by a single natural person (individual) conducting business in his or her own name and in which there is only one owner.
Representation	Represented by the sole owner.
Liability	No limitation of liability; all debts of the business are debts of the sole trader.
Minimum share capital	No requirements

Branch offices

A branch office does not have a legal persona. It is considered to be a constituent part of a foreign enterprise and may only carry on the same business as the head office abroad. It is required to use the foreign entrepreneur's official name, together with the translation of its legal form into Polish and the extension "branch in Poland".

The branch office must appoint a person in Poland who will represent this entity (a Branch Office Manager).

A branch office is required to maintain a set of accounting records in Polish in accordance with the Polish Accounting Act and comply with monthly and annual tax reporting for VAT and corporate income tax.

Foreign entrepreneurs may set up a branch office in Poland, based on the principle of reciprocity.

According to Polish law, the following steps must be undertaken in order to establish a branch office:

- Pass a resolution providing consent for setting up the branch in accordance with the laws applicable to the head office
- Appoint a Branch Office Manager to represent the entity
- Register the branch in the register of entrepreneurs in the National Court Register
- Open a bank account
- Register for tax purposes
- Notify the relevant social security authorities if there are any employees in the branch

Representative offices

The scope of activities which a representative office is allowed to pursue is very limited. Such an entity is established for the purpose of advertising and promoting the business of the foreign entrepreneur which opened the representative office and should avoid any business activities. It must also appoint a person to represent it in Poland and must use the name of the mother company together with the translation of its legal form into Polish and the supplement “representative office in Poland”.

A representative office is required to maintain a set of accounting records in Polish. There are less stringent tax considerations and compliance issues because of the nature of the business. Input VAT will be non-recoverable as such entity has no income, while an annual corporate income tax return as a minimum, must be completed and submitted.

Forming a limited liability company

A limited liability company is the most popular way of conducting business activities in Poland.

Prior to preparing the Articles of Association, a name should be chosen, its availability checked in the National Court Register, and additional information gathered, such as the registered address and objects according to the Polish Classification of Objects (PKD).

Secondly, the Articles of Association should be prepared in accordance with the Polish legal requirements.

Moreover, a local bank account (preferably with online services) should be opened, to allow authorised persons to operate the account from day one. Next, the amount of initial share capital as per the amount defined in the Articles of Association (PLN 5,000, approx. EUR 1,190, is a minimum) should be paid to the bank account.

Finally, the company should be registered in the National Court Register (KRS) and the Tax Office.

Legally speaking, a company “in organisation”, which can acquire rights and incur liabilities, is formed already at the moment of signing the Articles of Association. However registration of the Articles of Association by a registry court gives it a legal personality. This registration process can take between three days to four weeks. There are two methods of registration functioning in Poland – the traditional one, as well as an online registration using the S-24 contract template. In principle, the S-24 system is supposed to shorten and simplify the establishment of companies, however due to technical problems and the fact that the content of the Articles of Association is limited to the contract template, the traditional method of establishing a company still prevails.

The whole process of setting up and registering a limited liability company with the National Court, drawing up of the Articles of Association, registration with the court, tax and statistical authorities, opening of the company bank account and registration with the social security authorities, if necessary, should not exceed a maximum of three months and could be completed in one and a half months.

Companies considering such timescale as restrictive for their planned investments should consider buying a ready-made shelf company.

Ready-made shelf companies

When compared to other options for company formation, the solution offered by Vistra Poland brings significant savings. An investor can avoid unnecessary commitment while an acquisition, start-up, or capital investment is under negotiation. Under our direct control the shelf companies are fully established and operational entities which include:

- Registered address
- Flexible Articles of Association
- Minimum statutory share capital funding
- Active bank account
- Registration with the competent authorities

- Tax registration (CIT and VAT)
- Statistical office registration, if applicable
- Current accounting records and financial statements

As our shelf companies are registered with the tax authorities, investors can consequently maximise CIT and VAT benefits from the moment of acquisition. Business activity with the acquired entity can commence immediately after the transfer of shares. To make the transfer process quicker and easier the purchaser may act by way of proxy on the basis of a power of attorney granted to a reliable partner.

The Management Board can also be immediately changed and commence activity armed with the shareholders resolution confirming their appointment. According to the Polish Commercial Companies Code, the company is obliged to register all changes in the company with the National Court Register, namely new shareholder, new Management Board Members, new address, etc. within seven days from the event.

The new shareholder can gain immediate control of the bank account by amending the bank signatory card and fulfilling any other bank notifications required in regard to the changes. The new shareholder should also inform the tax and statistical authorities about changes that took place in the company during submission of all required documents, however such notifications and changes do not restrict the commencement of business activities.

At the client's request, Vistra can provide all the necessary support and services to process legal and banking changes after the purchase of the company.

Further funding

Additional funding for a limited liability company can be provided in many ways, the more common being an increase in share capital, additional payments per the Articles of Association, or loans.

A legal or tax adviser should be consulted prior to transferring any funds to ensure that the proper supporting documentation is in place and in the worst case scenario to avoid that receipt of funds is deemed as taxable income by the authorities and further penalties imposed for late payment of taxes, and what the tax results of applying one of the abovementioned solutions are. Loans should always be on commercial terms with supporting related party transaction documentation, if applicable.

Shareholders should be aware that stamp duties generally apply in all cases, except shareholders loans.

Directors

The Commercial Companies Code does not introduce any restrictions on nationality of persons qualified to fill the post of director in a limited liability entity. Such person must be a natural person, should not be incapacitated to perform such role, and should not have a record of any restricted offences as listed in the Code.

The minimum number of directors required in the Management Board of a limited liability company is one natural person and no maximum for the number of Management Board Members (unless otherwise stated in the Articles of Association). Corporate bodies may not hold such posts in Poland.

If the Management Board consists of more than one Member, the rules of representation should be stated in the company's Articles of Association, otherwise the standard rule of the Commercial Companies Code shall apply that the company is represented by two of the Management Board Members acting jointly, or one Management Board Member acting jointly with the company's duly appointed commercial proxy.

Civil liability

In regard to a company's debts, creditors' claims are limited to the company's assets. The company's

shareholders and the Management Board usually have no personal liability connected with the company's obligations, however according to Art. 299 of the Commercial Companies Code, Management Board Members are jointly and severally liable for the company's obligations should the company be unable to repay such. Members can release themselves from such liability if:

- They can prove that a motion for bankruptcy was filed in due course
- A recovery procedure was introduced in due course
- A possible lack of filing of bankruptcy motion or introduction of recovery procedure was not their fault
- Regardless of the lack of a bankruptcy motion or recovery procedure introduction, the creditor has not suffered any damages

Under current regulations and bankruptcy law, a Management Board Member should submit a motion regarding the company's insolvency within 30 days from the date on which the basis for the declaration of insolvency occurred, i.e. in a situation when the company becomes insolvent (state of insolvency as defined by bankruptcy law). A Management Board Member shall be liable for damages arising due to failure to submit the application on time, however they may be exempt from such liability, in particular if they demonstrate that during the 30 days referred to in the previous sentence, restructuring proceedings were commenced or an arrangement was approved in a procedure for approval of an arrangement.

Furthermore, Management Board Members shall not be liable for failure to submit a motion regarding insolvency at a time when enforcement proceedings are carried out by a receivership, or by the sale of the company based on the Code of Civil Procedure if the obligation to submit a motion regarding insolvency arose during the enforcement proceedings.

Please note: due to amendments to bankruptcy law, from January 2016 an obligation to submit a motion regarding insolvency of a company, and, therefore, liability for failure to submit such a motion, lies also upon the company's proxies.

Criminal liability

The Commercial Companies Code stipulates that Management Board Members face criminal charges in the event of certain negligence, e.g. failing to submit a declaration of bankruptcy in due course.

Permits required to conduct business in Poland

The general rules governing the undertaking and pursuing of economic activities in Poland are governed by the Act of March 6, 2018 - the Entrepreneurs' Law and Act of March 6, 2018 on the rules for the participation of foreign entrepreneurs and other foreign entities in the course of trade within the territory of the Republic of Poland (both replacing previous Freedom of Economic Activity Act of July 2, 2004).

In general, the Acts also apply to foreign investors with consideration taken of the existence of any reciprocity rules in place between the two countries. Foreign investors who have the right of residence in Poland (or similar) may conduct economic activity on the same terms as Polish citizens.

There are six specific categories of business for which a permit/concession is required. These categories include, amongst others, business relating to the power and energy field, air carriers, and radio and television activities. As regards concessions, often a tender process is involved.

Whilst the process has been simplified in recent years, regulated entities need to fulfil certain legal requirements and obtain any necessary licenses. On completion of the process, a certificate confirming satisfaction of the requirements is issued.

Holding company for a Polish SPV

The choice of a holding company jurisdiction is particular to the individual investor. Choosing the appropriate holding company jurisdiction allows investors to maximise tax relief, or delay tax payments, whilst still adhering to applicable laws.

Savings typically relate to withholding taxes on interest and dividends and corporate or personal income tax on profits.

The most common jurisdictions for a holding company of a Polish SPV are Cyprus, Luxembourg, the Netherlands and Malta.

The costs of the structure in the chosen jurisdiction should be considered in relation to the benefits, as complex structures are expensive to maintain. Due to the complexities of the subject, a tax adviser should be consulted.



Taxation

For over 25 years the Polish tax system has been developing gradually in order to encourage foreign investors to commence businesses in Poland which would result in more places of employment. After joining the European Union, the Polish tax system was adapted to the EU tax law, making it clearer and more simplified.

Personal income tax

Natural persons in Poland are subject to personal income tax calculated, as a rule, according to a progressive tax scale. Tax rates vary depending

on the income earned, defined as the total revenue minus tax deductible costs, earned in a given taxable year.

The annual tax-exempt amount is PLN 8,000 (approx. EUR 1,904), however, the amount decreases as the tax base increases. Individuals running business activities (as sole traders or as partners in partnerships) can also opt for a flat 19% income tax rate, subject to certain conditions.

The deadline for filing an annual tax return is 30 April of the year following the reference tax year. PIT is calculated according to the following tax scale:

Taxable income	Tax bracket
To PLN 85,528.00 (approx. EUR 20,363)	18% minus tax-reducing amount
Over PLN 85,528.00 (approx. EUR 20,363)	PLN 15,395.04 + 32% of excess over PLN 85,528.00 minus tax-reducing amount

Corporate income tax

In Poland, companies pay tax at a rate of 19% of taxable profit, being the difference between taxable income and tax deductible costs. In addition, since 2017, so-called small tax payers (whose sales revenue did not exceed EUR 1.2 million in the previous tax year) can benefit from a reduced 15% tax rate. CIT advances are calculated and paid monthly by the 20th of the following month and then within three months following the end of the tax year their tax declaration should be submitted to the tax office.

Tax losses can be settled within the next five years but only 50% of the loss can be deducted in a single year. However, from 2018 for tax purposes, capital gains have been separated from income derived

from other sources. This means that capital losses may be deducted only from the tax related to capital gains.

The owners of certain commercial properties (shopping centres, department stores and office buildings), where the initial value exceeds PLN 10 million, pay a so called “minimum property tax” set at 0.42% of the tax base per annum. The tax is not charged for a property used exclusively or mainly for a taxpayer’s own needs and moreover, it is deductible from the amount of corporate tax due. As a result, it should be neutral for a company that fulfils its tax obligations in a reliable manner.

The CIT Act also introduces Polish withholding taxes on payments to foreign entities such as dividends (19%), interest (20%) and royalties (20%). Under certain conditions these rates can

be decreased in accordance with EU Directives implemented to the Polish regulations or double taxation treaties.

A company concluding transactions with related entities may be obliged to prepare specific transfer pricing documentation of such transactions. If no such documentation is presented, the positive difference between the company's income determined by the tax authorities after review of such transactions and that declared by the taxpayer may be subject to a tax rate of 50% instead of the standard 19% rate.

Value added tax

The standard value added tax (VAT) rate in Poland currently amounts to 23%. Moreover, reduced rates are applicable for certain goods and services (5% and 8%). Exportation of goods, intra-Community supply of goods and international transport services are subject to 0% rate, under certain conditions.

Generally VAT taxpayers are obliged to submit their tax returns in monthly periods and to pay due tax no later than the 25th day of the following month. Quarterly returns are only possible for small tax payers and do not apply to newly registered ones (for a period of 12 months).

Input VAT is generally deductible in the period (month or quarter) the invoice is received or in the following two subsequent accounting periods (months or quarters), however there are groups of goods or services with other time limits for VAT deduction. According to regulations, there may be certain exclusions, e.g. in the case of accommodation and gastronomy services, decrease or return of due tax difference cannot be applied.

The excess amount of input VAT over the output VAT can be recovered within 60 days from the date of filing a tax return, irrespective of the character of the acquisition. This limit in special cases can be shortened to 25 days. The tax refund is available also for companies not making taxable sales within the tax period. Nevertheless, in such a case the

deadline for a VAT refund is extended to 180 days, unless the taxpayer provides a guarantee by way of deposit to the fiscal office to use the 60-day term. All transactions involving VAT should be supported by VAT invoices which should adhere to specific formal requirements.

Other taxes

Apart from the taxes described previously, there are also other taxes to be considered in Poland:

- Tax on civil law transactions or stamp duties
- Inheritance and donation tax
- Excise duty
- Local taxes and fees including real estate tax
- Agricultural property tax
- Forest property tax

Standard audit file

VAT taxpayers in Poland are obliged to provide VAT data to the tax office in a unified format – the Standard Audit File (SAF) or in Polish Jednolity Plik Kontrolny (JPK).

The transmission of the data (purchase and sales VAT registers, VAT invoices, bank statements, accounting books, and inventory transactions) is carried out by means of electronic communication or information carrier of data, taking into account the need to ensure the security, integrity, and non-repudiation of data contained in the books. It is a monthly obligation even if the VAT reporting period itself is quarterly.

Accounting records

The Polish Accounting Act requires that accounting records are kept by entities at the registered address of the company, or place properly notified to the tax authorities (e.g. an accounting office), in Polish, and in accordance with the Accounting Act. In essence the tax authorities need to be able, on request, to enter the premises where the records are kept and review the records and all supporting documentation, in the Polish language. They may request that certain foreign language documents are sworn translated into Polish during such investigation or audit.

Financial year-end

At the financial year-end a company needs to arrange internally, or through its provider, the following:

- Preparation of a set of Polish Financial Statements in the local currency
- Preparation of the Activity Report by the Management Board covering items such as a description of significant events which occurred during the financial period, post balance sheet events, current financial position, any R&D, financial plans for the future, significant achievements and financial risk
- Approval by the shareholders of the above Financial Statements and Activity Report
- Submission of the above documents to the tax office
- Submission of the above documents to the National Court Register (KRS)

The financial statements should be prepared within three months and approved within six months of the year end. They should be submitted together with any necessary enclosures to:

- Tax office – within 10 days from the date of their approval

- Commercial Register (KRS) – within 15 days from the date of their approval

Since March 2018, the amendment to the National Court Register Act introduced major changes related to preparation, signing and submission of financial statements.

Previously, the annual financial statements and documents related to their approval were submitted to the register of entrepreneurs in a paper form. As of October 1, 2018, financial statements, management's reports on the company's activities and auditor opinions should be prepared and submitted in the electronic form only.

In the transitional period, i.e. from March 15, until September 30, 2018, annual financial statements and related documents (auditor's report from the audit, copy of the resolution approving the financial statements and regarding profit distribution or loss coverage, as well as activity report) should be sent in the form of scans by means of a new public IT system - Financial Documents Repository made available by the Ministry of Justice. This means that no applications or attachments in paper form related to annual filing will be accepted by the registry court.

Documents submitted to the Repository should be labeled with a qualified electronic signature or signature confirmed by a trusted ePUAP profile of at least one person registered in the companies registry (KRS) of the company as its representative, i.e. a member of the management board. Moreover, this must be a person who has a Polish personal identification number (PESEL) disclosed in the National Court Register.

Employment & Labour Law

Legal basis

The key legal act regulating the rights and obligations of employers and employees in Poland is the Labour Code. It stipulates the conditions under which work can be performed, the ways of employing and terminating employment contracts, calculating and paying salaries, and more.

Terms of employment

Employment contracts

In Poland an employment contract has to be concluded in writing before the first day at work or, at the latest, on the first day at work. Elements which should be included in each document are stipulated in the Labour Code. An employment contract can be signed for either a trial period, a fixed term or a non-fixed term.

A trial period employment contract helps to check the employee's qualifications and can be entered into for no more than three months.

The period of a fixed term employment contract or the period of all fixed term employment contracts concluded between the same parties cannot exceed 33 months, and the number of all contracts cannot be more than three in total. Otherwise, the employment contract is deemed to be for a non-fixed term.

Remuneration

The level of remuneration to which an employee is entitled to can be freely discussed and should be agreed between an employer and an employee. For a full time worker, however the remuneration cannot be lower than the legal minimum monthly wage which in Poland in 2018 amounts to PLN 2,100 gross (approx. EUR 500).

Attendance records

Attendance records must be maintained for each employee in the company. The information recorded should include normal working hours, actual working hours, overtime, nightshift, full paid holiday, unpaid leave, sick leave, child care, business trips, and other absences. The information is required to calculate remuneration and benefits accurately.

Working hours

Working time in Poland should not exceed eight hours per day and 40 hours per week for an average five-day working week. Working overtime is acceptable in case of urgent situations only upon the expressed order of the employer or with their knowledge and consent. An employee is entitled to a compensation for working overtime in the form of an additional remuneration or time off.

An employee has the right to rest for not less than 11 hours uninterruptedly in the same 24-hour work cycle and rest for not less than 35 hours uninterruptedly in every week.

An employee's work time schedule provides for varied work start times on scheduled work days and an optional time range for an employee to decide when to start work on a given day. With flexible working hours, the work performed within the same 24-hour work cycle does not constitute overtime. It is necessary, however to take into account an employee's right to rest when determining flexible working hours.

Settlement period

The law allows extending settlement periods up to twelve months in any work time system, if justified by objective or technical reasons or reasons concerning the organisation of work.

The extension of the settlement period allows an employer to manage employees' work time in

a more flexible and reasonable manner, especially if it is connected to a balanced system of working time. Thanks to this solution and the optimum adjustment of employees' time schedules to their workloads, employers are able to reduce costs related to overtime work.

Annual leave

An employee is entitled to annual leave, fully paid by the employer, which length varies depending on the length of employment. Employees who have been employed in total for less than 10 years are entitled to 20 work days of holidays, while those who have been employed for over 10 years are entitled to 26 work days of holidays.

In the calendar year in which an employee starts work for the first time, he acquires the right to leave after each month of work amounting to 1/12 of the level he is entitled to after one year of work.

Sick leave pay

An employee is entitled to 80% of his remuneration for every day of his absence from work as a result of illness, supported by a doctor's note, up to the maximum number of days set in the labour and social security law. The current maximum paid sick leave is 182 days or 270 days for tuberculosis and sickness during pregnancy. An employee is entitled to be paid the sick leave if they have been insured (sickness insurance) for at least 30 consecutive days (obligatory insurance) or 90 consecutive days (voluntary insurance).

In certain cases such as accidents on the way to and from work, pregnancy, or organ donor schemes, an employee can receive 100% of their remuneration. The sick pay is payable to the employee for periods of incapacity for work or isolation due to communicable disease of a total duration not exceeding 33 days in a calendar year, and – if the employee has reached 50 years of age – not exceeding 14 days in a calendar year.

The sickness allowance is payable by ZUS (the Polish Social Insurance Institution) from the 34th day of incapacity for work in a calendar year or from the 15th day (respectively) if the employee

has reached 50 years of age.

In cases of hospitalisation the rate of sickness allowance can drop to 70% with the exception of the employees who have reached 50 years. In their situation, starting from the beginning of the following calendar year after the year in which they reached the age of 50 years, sickness benefit for the period of their stay in the hospital from 15 to 33 day of incapacity for work in a calendar year shall be 80% of the base.

Generally, the remuneration for sick leave is calculated from the average salary for 12 months before illness.

Maternity leave

The length of maternity leave is 20, 31, 33, 35 or 37 weeks, depending on the number of babies born at once, and it is fully funded by ZUS.

Before the predicted date of childbirth, a female employee can take not more than six weeks of maternity leave. If she did not take any weeks of maternity leave before the date of childbirth, the first day of maternity leave is the day of childbirth.

Paternity leave

A father is entitled to paternity leave, fully funded by ZUS, which can be taken until the child reaches 24 months of age. The length of paternity leave is two weeks and can be divided into two parts (one week for each of them). Paternity leave is granted at the written request of an employee. An application in this matter should be submitted at least seven days prior to the commencement of the leave.

Parental leave

An employee also has the right to take parental leave, fully funded by ZUS, which is 32 weeks (for the birth of one child) or 34 weeks (for the birth of two or more children in one delivery).

A female employee can, no later than 21 days after the childbirth, apply for parental leave immediately after the maternity leave. It can be taken at once

or in parts, however in no more than four parts. Except for the first and last part, the parts must be at least eight-weeks long. The leave must be taken by the end of the calendar year in which the child turns six years old.

Parental leave applies jointly to both parents of a child. This means that the entire parental leave and maternity allowance for this period may be taken by a child's mother or father. The parents may also share the parental leave they are entitled to. The regulations also allow both parents to take the leave at the same time. However in such cases each parent may take 16 weeks, so that the total does not exceed the total length of the parental leave.

Parental leave is granted at a written request of an employee who may, at any time, resign from it and go back to work with the employer's consent.

Child care leave

Child care leave in Poland amounts to 36 months and both parents are entitled to it if they have been employed for at least 6 months. Within the limit of 36 months, one month is exclusively entitled to the second parent (e.g. a mother uses 35 months of the leave and a father uses one month). The regulations also allow both parents to take the leave at the same time. In such cases each parent may take 18 months, so that the total does not exceed the total length of the parental leave.

Child care leave is granted at the written request of an employee submitted to an employer and must be taken by the time the child turns six years old. In the case of a child who, because of a health condition confirmed by a ruling of disability or degree of disability, requires personal care by the employee, the leave must be taken by the time the child turns 18 years old.

Termination of employment

Before terminating an employment contract, an employer should consider the risk of a labour dispute. Legal advice should be considered prior to taking such an action. There are various ways to terminate a contract of employment:

- By mutual agreement of the parties
- Declaration by one of the parties compliant with the notice period
- Declaration by one of the parties non-compliant with the notice period
- After lapse of the period it has been concluded for

There are various notice periods to be considered depending on the nature of the agreement and the employment periods lapsed. This can range from three days to three months.

Social security in Poland

ZUS (when translated means the Polish Social Insurance Institution) is the state organisation in Poland responsible for insurance (retirement, disability, sickness and accident). Contributions for the social security are split between the employer and the employee, however it is the employer who in fact makes the payment.

All entities that are subject to the National Court Register (KRS) have their contribution payer's accounts created automatically with no further need to forward application documents to ZUS, provided that an application to the KRS was completed and included "basic data". Form NIP-8 ("supplementary data") must be filed in the tax office within seven days from the date of registration in the KRS.

Employer's responsibility

Employers must register employees within seven days from the commencement of employment/ social insurance liability. The employer is responsible for preparing all the calculations, making the deductions and paying the contributions to ZUS each calendar month.

The employer must also submit the necessary ZUS forms and pay their portion of due contributions within 15 days of the following month.

Individuals paying their own contributions have 10 days from month end to submit the forms and settle amounts due.

Security contributions

The employer contribution is quite significant and can add approximately 20% to the total cost of employing an individual. Meanwhile the employee deduction is also very significant.

The net amount received by an employee after tax and social security may be 60-70% of their gross salary, while the employer pays out approximately 120% of the gross salary. The difference between the amounts paid out by the

company and that received by the employee goes to the Government.

ZUS RMUA form

Each payer of contributions is obliged to submit to the insured the data included in monthly RMUA reports sent to ZUS for them (inter alia, information about social and health contributions calculation basics and amount of the contributions) once a year. Information detailing the contributions for the individual months of the year should be transmitted till the last day of February of the year for the preceding calendar year.

Employees may see doctors without having the ZUS RMUA form issued by their employer. This form is not necessary to confirm the employee's right to public health care. Employees may use the public health care services on the basis of their identity documents and PESEL numbers.

Income costs

Income related costs depend on the employment relationship, whether based on an employment relationship, co-operation employment contract, or remote work.

Income cost levels in Poland	Monthly	Annually
The tax-payer receives income from one employment relationship	PLN 111.25 (approx. EUR 26)	PLN 1,335.00 (approx. EUR 317)
The tax-payer receives income from more than one employment relationship	PLN 111.25 (approx. EUR 26) from each employment relationship	But no more than PLN 2,002.05 (approx. EUR 476)
The tax-payer receives income from one employment relationship and the tax-payer's work location is different from the one he lives in and he does not receive any relocation benefit	PLN 139.06 (approx. EUR 33)	No more than PLN 1,668.72 (approx. EUR 397)
The tax-payer receives income from more than one employment relation and the tax-payer's work location is different than the one where he lives in and he does not receive a relocation benefit	PLN 139.06 (approx. EUR 33) from each employment relationship	But no more than PLN 2,502.56 (approx. EUR 595)

Deductible expenses

The limit on income earned from copyrights and related ownership rights amounts to PLN 85,528 (approx. EUR 20,363). In the Act regarding changes to Personal Income Tax from Physical Persons, a limit of 50% of tax deductible expenses has been set.

The limit applies to all income from copyrights and related ownership rights earned in a given

tax year, including both employment contracts and civil law contracts. However the right to deduct tax-deductible expenses that were actually incurred still applies if the taxpayer is able to prove that these were higher than the percentage specified in the Act (Act of 24 October 2012 on the amendment of the personal income tax act).

Deductions from social insurance to the Guaranteed Employee Benefits Fund, the Labour Fund and health insurance are illustrated below.

Type of social insurance	% total deduction	% of the deduction covered by:	
		Employee	Employer
Pension	19.52% ^a	9.76%	9.76%
Disability	8% ^a	1.5%	6.5%
Sickness	2.45%	2.45%	-
Work accident insurance	1.8% ^b	-	1.8%
Health insurance	9% ^c	9%	-
Fund of Guaranteed Employee Benefits	0.1% ^d	-	0.1%
Labour/Work Fund (unemployment)	2.45% ^d	-	2.45%

^{a)} Pension and disability insurance are no longer applicable on amounts exceeding the limit set by the government on the cumulative gross salary figure. In 2018 this limit amounts to PLN 133,290 (approx. EUR 31,735).

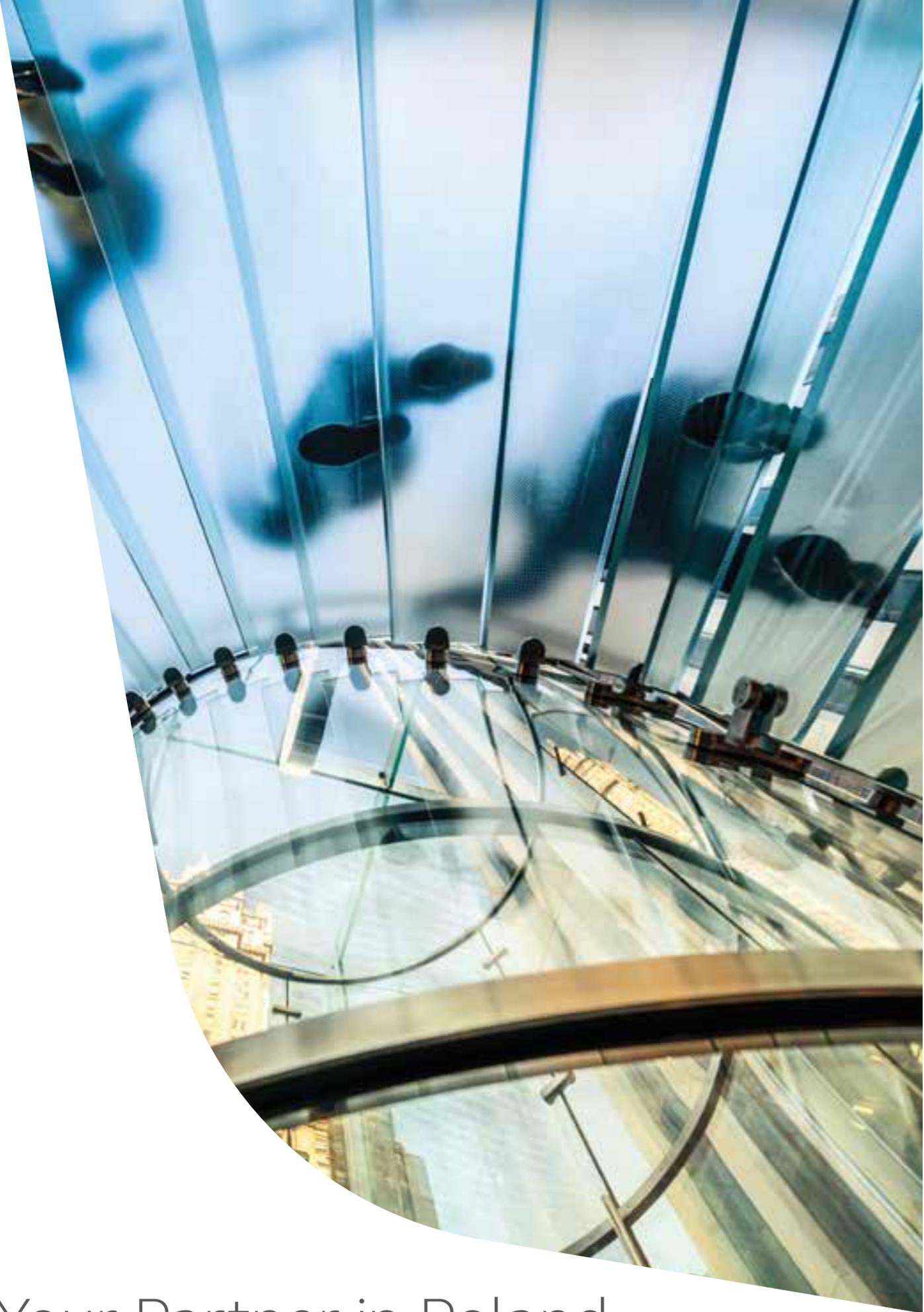
^{b)} Variable deduction depending on the industry sector.

^{c)} The part of health insurance (7.75%) is deducted from the amount due on personal income tax.

^{d)} Fund of Guaranteed Employee Benefits and Labour Fund are not deducted in following situations:

- For a period of 12 months starting from the first month after conclusion of the contract of employment, by employed persons who are in the age over 50 years and during the 30 days prior to employment remained in the records of unemployed persons in the Work Office
- For persons who have reached the age of at least 55 years for women and at least 60 years for men
- For persons returning from maternity or parental leave – for a period of 36 months starting from the first month after the return

All amounts given in EUR were counted using the average exchange rate of EUR 1 = PLN 4.2



Your Partner in Poland

How Vistra Can Help Grow Your Business in Poland

Market entry & shelf companies

Completing the necessary formalities to enter a market in our region is a time-consuming endeavour. Without local support and expertise the process can be frustrating and costly. Our services facilitate market entry and ongoing management and administration of local assets and operating entities.

A turnkey solution in the CEE

When compared to other options for company formation, our solution can offer significant savings. Moreover, an investor can avoid unnecessary commitment while an acquisition, start-up, or capital investment is under negotiation. Our shelf companies have been carefully structured to facilitate a quick and efficient transfer of ownership and commencement of business activities. Our solution meets a broad range of needs and is of particular value when the timing of market entry is critical, for example with company or real estate acquisitions.

We work in close partnership with major audit, law and advisory firms. As a trusted partner our practical knowledge is applied to bring closure to administrative aspects of market entry. Our solutions allow clients flexibility when they enter and how they operate. We offer shelf companies which are fully established and operational entities. The solution facilitates a quick and efficient transfer of ownership to commence business activities. After-sale support is available for corporate secretarial needs such as updates or changes to the courts and other reporting bodies.

Structured for flexibility

Under our direct control, the shelf companies include:

- Registered address

- Flexible articles of association
- Minimum statutory share capital funding
- Active bank account
- Registration with the competent authorities
- Tax registration (CIT and VAT)
- Statistical office registration, if applicable
- Current accounting records and financial statements

As our shelf companies are registered with the tax authorities, investors can consequently maximise CIT and VAT benefits from the moment of acquisition.

Post transfer service

Our corporate secretarial services team can provide an after-sale support to newly-purchased companies by preparing notifications or changes to the commercial register, company registers, banks, and other reporting bodies.

Accounting & management reporting

We take a proactive approach by reviewing, rather than just processing, information provided to us. This is imperative in legal and tax environments that are constantly evolving.

We adapt our financial service offering to fit your specific requirements – and in developing a tailored solution we take time to truly understand your situation and needs.

Local compliance

We provide thorough and diligent services to support compliance with local statutory accounting regulations and tax legislation, a key

feature of which are the strict deadlines for taxes both in terms of filing report and making payments. Our core services to meet statutory requirements include:

- Maintenance of accounting records in accordance with the applicable accounting and tax laws
- Preparation and submission of monthly and annual tax returns
- Communication with the tax office and assistance with tax audits
- Statistical office reporting
- Central Bank reporting

Each client is assigned a dedicated accountant working in a group structure under close supervision of our management team.

International and group reporting

We can prepare management reports to meet international standards under IFRS and US GAAP. For each client we also cater for a company's specific requirements to agreed monthly and quarterly deadlines. Reconciliations between statutory and management reports are available as and when necessary.

As directed, our accountancy services team can provide reporting and data for management reporting purposes including cash flow reports, budgets, fixed asset reviews, cost centre analysis, service charge reconciliations and other ad-hoc projects.

Human resources & payroll

When your operations grow and you need to employ local staff, new challenges may arise. Hiring local employees can be complicated, particularly in jurisdictions where clients are not familiar with local employment regulations. Vistra can handle hiring, payroll and other staffing issues for you – freeing you to focus on growing your business. If needed, we can review the management systems

already in place and work alongside your team to handle local staffing.

Payroll services

We maintain the highest standards of confidentiality over the data provided to us and how it is dealt with. We offer comprehensive payroll solutions which include:

- Registration of employees with all relevant authorities
- Processing of payroll data
- Preparation of payment instructions for net salary, social security and taxes due
- Disbursement of funds on instruction
- Preparation and filing of employee and corporate tax returns and social security declarations
- Preparation of reports for accounting and management purposes
- Compliance reviews and assistance with audits

Human resources services

The local labour code mandates specific requirements and responsibilities for employers. Our HR solutions assist our clients in compliance with these regulations. Our services include:

- Maintenance of employee personal files and work records
- Supervision of employee statutory medical examinations
- Issuing of work certificates
- Preparation of statistical reports to the authorities
- Representation of the company in front of regulatory bodies, including assistance with labour audits

Recruitment projects

Vistra HR team can support a client during the recruitment process, by providing administrative support functions while the client focuses on the interview and selection process of potential candidates. Our offering is flexible and will be determined on a case by case basis after discussions with the client.

Our approach to personal data

We value your privacy and want to be clear about what we do with your data. In order to reflect the high standards established by the General Data Protection Regulation (GDPR), we have updated our Privacy Notice available under vistra.com/privacy-notice. It explains how we collect, use and disclose your personal data, and your rights in relation to the personal data it holds.

Vistra processes personal data given by a client in order to provide services on the basis of the maintenance agreement, GDPR, and other applicable legislation.

Contact

Kobus de Lange

Managing Director CEE

T: +48 22 205 6486

E: kobus.de_lange@vistra.com

Sylwia Toczyska

Director Client Services Poland

T: +48 22 205 6481

E: sylwia.toczyska@vistra.com

Natalia Głogowska-Dej

Regional Director

T: +48 12 391 3528

E: natalia.glogowska@vistra.com

06/18

