



ABC AUDIT
ASSURANCE & BUSINESS CONSULTING

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ABC Audit

Ready to serve you in Poznań, across Poland, and Internationally

A Guide to Doing Business in Poland

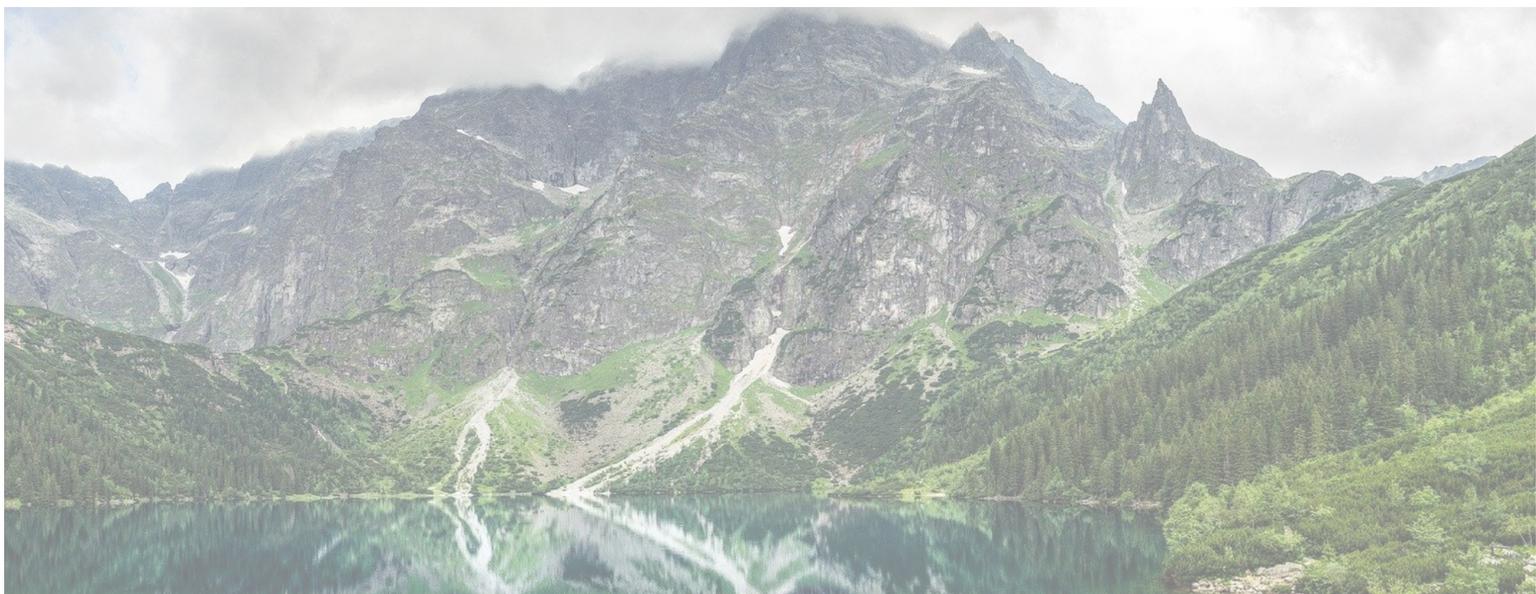
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About Poland

Poland is located in Central Europe. It is divided into 16 administrative subdivisions, covering an area of 322,575 square kilometers. With a population of nearly 37.97 million people, it is the fifth most populous member state of the European Union. Poland's capital and largest metropolis is Warsaw. Other major cities include Cracow, Łódź, Wrocław, Poznań and Gdańsk.

The country is bordered by the Baltic Sea, Lithuania, and Russia's Kaliningrad Oblast to the north, Belarus and Ukraine to the east, Slovakia and the Czech Republic to the south, and Germany to the west. Poland is recognized as a regional economic leader within Central Europe, with nearly 40 percent of the 500 biggest companies in the region (by revenue) as well as a high globalization rate.

Fast facts

- **Territory:** 322,575 km² which 311,888 km² is land area
- **Population:** 37.97 million (2019)
- **Population in Warsaw:** 1.77 million (2019)
- **Population growth rate:** -0,09% (2019)
- **Population growth rate in Warsaw:** 0,45% (2019)
- **Capital city:** Warsaw
- **Languages:** Polish (English is a language of business)
- **Currency:** Polish zloty (PLN)
- **Nominal GDP:** More than US\$ 592 billion (2019)
- **Real annual GDP:** 4.15%
- **GDP per capita:** US\$ 14,902 (2019)

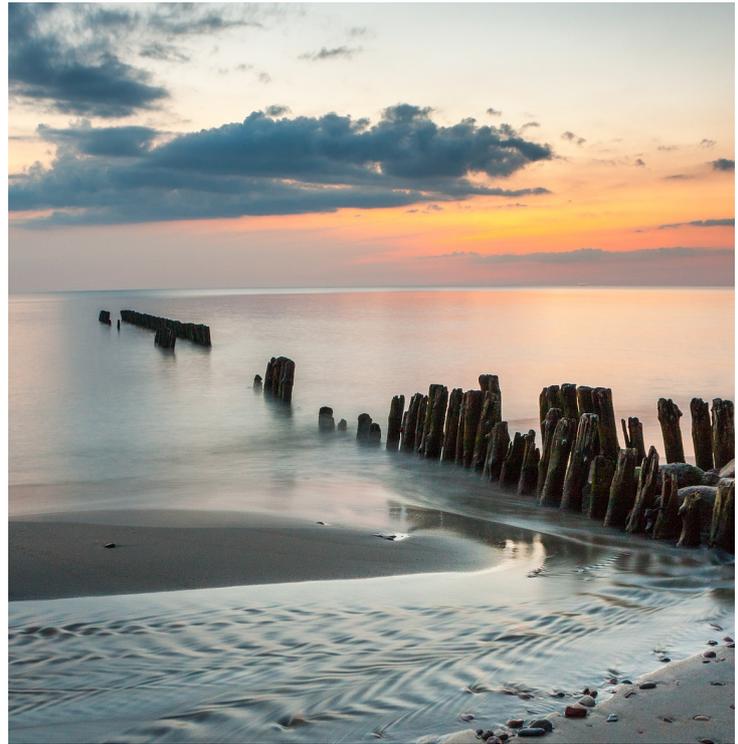


Why Poland?

Poland is one of the most attractive locations for foreign investment. International reports highlight the economic and political stability of Poland, educated and competent human capital and a large domestic market. In times of global economic crisis Poland has strengthened its position, not only in the region of Central and Eastern Europe but also all over the continent.

Foreign investors willingly invest their capital in Poland treating it as a safe haven in times of economic instability. Tourists, in turn, are enchanted by Polish hospitality and friendliness, Poland's cultural heritage and the country's natural landscape. Poland's 38-million strong consumer market is one of the biggest in Europe.

The country's favorable location, in the center of Europe, where the main communication routes intersect, makes it possible to export goods to all European countries and thus reach over 500 million consumers. Poland's major trade partners are, among others, Germany, Russia, China, France, the UK, Italy, Hungary, Ukraine and Spain.



Well-educated Polish economists, engineers, IT specialists and scientists are highly sought-after and appreciated employees who find employment in IT companies, R&D centers and scientific institutes. Every year, the number of graduates from Polish universities increases, including faculties useful in high-tech industries.

The country's sustainable development has much to do with its solid economic foundations. The global economic crisis has not harmed Poland, which is the only country in Europe to have avoided a recession, and additionally has developed at the highest rate on the continent. Assessment of the investment climate for foreign entrepreneurs every year is getting better. All the factors, together with the country's international safety and stability guaranteed by Poland's membership in NATO and the EU, make Poland a credible and important business partner for foreign investors.

Among the most important challenges to be faced by the country in the foreseeable future there are issues connected with the adoption of the single European currency and all criteria which the country has to meet in order to enter the euro zone.



Knowing the business legal forms

Sole proprietorship

A business entity owned and operated by a single natural person. No legal distinction between the owner (i.e. the sole proprietor) and the business. The owner bears the responsibility over the obligations and liabilities that may occur during the operation of the business. Inexpensive and quick to establish.

General partnership (SP. J.)

At least two partners. All partners equally share the profits, managerial responsibilities and liability for debts. However, the rules of participation in profits and losses can be changed quite flexibly. Each partner can contribute capital, skills and work. No minimum capital requirements. A notary is unnecessary, unless the real property is contributed. Each partner is responsible for the obligations of the general partnership with all their property, jointly and severally with all other partners and with the company.

Partnership company (SP. P.)

Commonly used for professionals such as lawyers, doctors and accountants to do the business together. All partners are responsible for the normal operation of the company but are not liable for damages caused by the individual actions of other partners.

A partnership limited by shares (S.K.A.)

The capital and ownership of the company is divided between shareholders and one or more partners. The shareholders have a limited liability - they are passive investors. The partners have full liability for company's debts - they direct the operations of the company. The minimum amount of share capital is PLN 50.000. A characteristic feature is the functioning of the General Meeting and the Supervisory Board. The appointment of such bodies is obligatory only if the number of shareholders exceeds twenty-five. A notary is required for the company's establishment. The statute should be signed by at least all partners.

Limited Partnership (SP.K.)

A partnership made up of two or more partners. Two types of partners: general and limited ones. The general partner represents the company and runs the business. The limited partners have limited liability and are responsible for the obligations towards creditors up to the amount, called limited partnership sum. The limited partners do not take part in managing the business.

Knowing the business legal forms

Limited liability company (SP. Z O.O.)

Most popular in Poland. Basic type of capital company. Company has its own legal entity separate from the company's owners. Separates business assets of the company from personal assets of its owners. All partners (shareholders) have limited liability. No shareholder is personally liable for the company's debts or liabilities. The minimum start capital is PLN 5.000. A notary is required to establish the company. Shareholders are free to sell shares however tag, drag or first offer rights can be introduced. Shares can be privileged in terms of voting rights and dividend. Partner may be granted specific personal rights (e.g. to appoint Board Members). The company is managed and represented by the Management Board, appointed and dismissed by the Shareholders' Meeting. Optional bodies are the Supervisory Board or Audit Committee. Establishing of these two is obligatory if the share capital exceeds PLN 500.000 and there are more than 25 shareholders.

Joint-stock company (S.A.)

A capital company. In assumption intended for bigger business ventures. The minimum capital is PLN 100.000. Company can be introduced to the stock exchange market. In general, money consuming in terms of maintenance. Each shareholder owns company stock in proportion, evidenced by certificates of ownership. The share capital may consist of different classes of shares, depending on the rights attached to the shares. Shareholders transfer their shares to others with no effects to the continued existence of the company. Tag, drag or first offer rights can be introduced. Company is governed by its bodies (Supervisory Board is mandatory). Company may introduce its shares to the stock exchange.

Branch in Poland

To establish a branch, a foreign entrepreneur registers the branch in the register of entrepreneurs in the National Court Register. The branch is given a statistical number REGON and a tax identification number NIP. A foreign entrepreneur creating a branch establishes a person authorized to represent the entrepreneur in Poland. Separate accounting must be kept in accordance with Polish accounting regulations and in Polish language.

Representative office

Foreign entrepreneurs may establish representative offices with registered office in Poland to advertise and promote the foreign entrepreneur or a foreign country's economy. The establishment of a representative office requires an entry in the register of representative offices of foreign entrepreneurs kept by the Minister of Development.

Tax on income

CIT – General

The following entities are taxpayers of corporate income tax:

- Legal persons
- Unincorporated organizations
- Tax groups of companies

CIT – Tax rates

The standard corporate income tax rate is 19%. As of 1st January 2019, reduced CIT rate of 9% is applicable to small taxpayers, earning revenues equivalent to EUR 1.2m or less and for taxpayers starting a new business for their first tax year in operation.

CIT – Revenues

Tax revenues are in particular: received money, cash value, an exchange difference or the value of goods received free of charge or partly in return, rights or other benefits (Article 12 of the Law on corporate income tax). Revenues connected with an economic activity are also deemed to be receivable income, even if not yet actually received (the principle of accrual-based income), after excluding the value of returned goods and granted discounts.

CIT – Tax deductible cost

There is no closed list of expenditures which are tax-deductible costs. There are general characteristics which must be satisfied in order for an expense to be tax deductible, it must have the following characteristics:

- the aim of bearing the cost was achieving revenues, maintenance or securing sources of revenues
- the cost is not mentioned in the list of costs which do not constitute tax deductible expenses

PIT – General

You will pay Personal Income Tax (PIT) on your personal income or if you run a sole trader's business or if you are a partner in a partnership: civil law partnership, registered partnership, professional partnership, limited partnership.



PIT – Forms and rates

One of the most important differences between e.g. employment and running a business is the possibility to choose the form of PIT taxation. If you pay a PIT, you can choose:

- general principles - tax scale 18 and 32%
- general principles - 19% tax (so called flat rate tax)
- lump-sum on registered income
- tax card

PIT – Taxation subject

All kinds of entrepreneurial income from activity are subject to taxation (with some exceptions specified in tax regulations, such as compensation).

In the case of activity, it is important to distinguish between revenue, costs and income:

- revenue is the net profit, e.g. from the sale of goods, provision of services (also in case when they have not been actually received)
- tax-deductible costs are, in general, your business expenses
- income is the surplus of revenues from such activity over the costs of their acquisition achieved in the tax year

VAT

General

VAT is a tax on goods and services (indirect tax).

Activities which are subject to VAT:

- import
- export
- sales (delivery) of goods and services

As many times particular goods (service) are sold or subject to another taxable activities - as many times they are subject to VAT.

Tax Rates

23% - this is the standard rate of VAT.

8% - this rate is applied, inter alia, to goods and services listed in Annex 3 to the Act on the goods and services tax and to supply, construction, renovation, modernisation, energy efficiency or conversion of buildings or parts of them included in the construction of social housing agenda.

5% - rate includes basic foodstuffs (e.g. bread, dairy products, meat preparations, preparations made from cereals, flour, groats, pasta, juice) and printed books and on disks, tapes or other physical media and specialist periodicals. The list of goods covered by the 5% rate is set out in Annex No 10 to the Act on goods and services tax.

0% - preferential rate applicable to the intra-Community supply of goods and the export of goods.

Deducting VAT

In order to avoid accumulation of taxation the right to a deduction (refund) was introduced, consisting in the fact that the taxpayer has, in principle, the right to reduce the size of tax liability. It operates in such a way that the entrepreneur may reduce the tax due by the tax charged in purchasing transactions. When an entrepreneur receives the invoice he pays for the goods/service gross amount (inclusive of VAT). When the entrepreneur issues an invoice, in principle it includes the amount of VAT (provided the transaction is not exempt or taxed at 0%). VAT paid (purchasing invoices) lowers the amount of tax to be paid to the tax office (VAT on sales invoices).



Audit and accounting

Key facts about financial statements

- Preparation and e-signing of the financial statements is 3 months after the end of financial year
- Approval of the financial statements shall be not later than 6 months after the end of financial year
- Financial statements shall be prepared in electronic form in the specified logical structure and format available in the Public Information Bulletin of the Ministry of Finance -JPK (XSD-XML Schema Definition)
- Financial statements shall be signed in electronic way by all members of the board using qualified electronic signature
- Deadline for the submission of the financial statements to the national court register is 15 days from the date on which the annual financial statement was approved

Audit obligation

Annual financial statements 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

Exemptions and simplifications applicable for small and micro entities

The Accounting Act defines small and micro 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:

	Micro	Small
Total assets	PLN 1,5 million	PLN 25,5 million
Total revenues	PLN 3 million	PLN 51 million
Annual average employment level (individuals in full time equivalent)	10	50

For those entities simplified accounting rules and financial statements can be introduced.

Who we are

ABC Audit is part of ABC Group, a group of independent companies created by people who have experience gained in renowned global consulting, audit and law firms. After years spent in international corporations, we have decided to offer flexible and customized approach to provide the highest quality and standards of our services and reasonable terms of cooperation. ABC Audit was incorporated in 2006 and became a member of MGI Worldwide, a top 20 international accounting network, in 2017.

We are equipped to provide our clients with the expert and experienced knowledge on a national, regional and international level with access to more than 200 firm members in over 100 countries around the world.

What we do

<p>TAX SERVICES</p> <ul style="list-style-type: none"> Tax compliance Tax audit assistance Tax advisory & planning Transfer price documentation study 	<p>LAW SERVICES</p> <ul style="list-style-type: none"> Business & Corporate Law Civil Law Mergers and Acquisitions Intellectual and Property Law 	<p>AUDIT SERVICES</p> <ul style="list-style-type: none"> Financial audit Agreed upon procedure Internal audit Financial review 	<p>ACCOUNTING SERVICES</p> <ul style="list-style-type: none"> Bookkeeping Payroll services Financial reporting Organization of accounting processes
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Where we are

Through MGI Worldwide, our firm benefits from global connections with like-minded firms throughout Africa, Asia, Australasia, Europe, Latin America, Middle East & North Africa, North America and UK & Ireland.

Our difference

MGI member firms offer clients the personal support at partner level that big firms cannot match. Just like their clients our members are business owners who understand the highs and lows of entrepreneurial endeavour.

Typical clients are family businesses, entrepreneurs and fast growth enterprises. Together our personal touch, entrepreneurial approach and global reach all go to make the MGI difference.



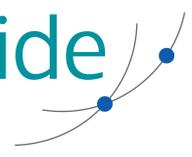
personal: entrepreneurial: global:

About MGI Worldwide

Our global accounting network, your local contact in the world

ABC Audit (Poland) is a member of MGI Worldwide, a Top 20 international accounting network and association of independent audit, tax and accounting firms, which brings together the expertise of some 10,000 professionals in over 460 locations around the world. Our membership enables us to keep abreast of important new developments, while providing a seamless international service to any of our clients looking for support abroad. Through MGI Worldwide, our firm benefits from connections with people we get to know and trust in all corners of the globe.

A member of

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We can help you and your operations with a quick phone call to one of our colleagues or a complete service offering – whatever you need to make your international business a success. MGI Worldwide is a quality-controlled network and, like all member firms, we are subject to review of our quality assurance systems and procedures against international standards.

For more information on MGI Worldwide visit www.mgiworld.com

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About MGI Worldwide with CPAAI

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