Doing Business in Poland

Edition #4 / July 2024

Independent legal & accounting firms

Doing business in guide: Poland

MSI's guide on Doing Business in Poland provides current information about the financial, regulatory and legal considerations that could affect business dealings within Poland. For further assistance please contact one of our MSI member firms in Poland.

Country overview

Population
Poland has a total population of approximately 37.6 million inhabitants (March 2024).

Government
Poland's political system is a parliamentary democracy. The President of the Republic of Poland is the head of state of Poland elected in the general elections. The system is based on the principle that there is separation and balance between legislative, executive, and judicial powers.

The legislative power is vested in the parliament (consisting of two houses), executive power is vested in the President of the Republic of Poland and the Council of Ministers and judicial power is vested in courts and tribunals.

Poland is divided into 16 provinces with significant self-governing powers. The provinces are further divided into 380 districts (powiaty) and 2,477 communes (gminy).

Languages
The national language is Polish. However, English is also spoken especially in major cities and by the younger generation.

Currency
The national currency is the Polish złoty (PLN).

Economic summary (value for 2023)
GDP: $808,2 billion
GDP per capita: $21.5 thousand
Inflation: 11.4%
Exports: $375.6 billion

Main sectors of the economy
Poland's economy is considered to be still growing within the EU and the strongest one in the CEE region.

Due to competitive prices and high quality of products Poland has grown into an important international exporter. Poland's most valuable export products are automotive parts and accessories followed by exported cars, machinery, plastic products, fabricated metal products (iron and steel), furniture, wood, clothing, food and also motorboats and light planes. The top export destinations of Poland are Germany, the United Kingdom, the Czech Republic, France and Italy.

EU country/ Non-EU and its impact on businesses and investors
Poland is a member state of the European Union, the United Nations and NATO. In 2018-2019 Poland was also a Non-Permanent Member of UN Security Council.

Poland is an attractive location for doing business and for investment. It is located in the centre of Europe, at the intersection of main communication routes – between Western and Eastern Europe. Still competitive costs of employment, various investment incentives, such as special economic zones and access to EU funds create a friendly climate for investors in Poland. Furthermore, Poland is known for its highly qualified workforce (especially engineers and IT specialists) and the importance of its human capital in Europe is constantly increasing.

Setting up a business

A foreign individual or a company from the member countries of the EU or the EFTA may operate in Poland on the same rules as entities located in Poland: through a distinct incorporated entity, a branch of a foreign company or its representative office. The same conditions may apply to entrepreneurs from other countries (e.g., if they are in possession of a residence title). Other foreign entities can still set up a business in Poland, but only in a form of a limited liability company, limited partnership company, limited joint company, simple joint-stock company and joint-stock company.

Acquisition of real estate in Poland by a citizen or a legal entity from the EEA or Switzerland is not subject to any additional requirements. Other entities are obliged to obtain a permit issued by the Ministry of Interior Affairs and Administration. There are some restrictions on the acquisition of agricultural land – however, they apply to both Polish and foreign entities.

Legal types of business entities:
1. Simple joint-stock company
2. Joint-stock company
3. Limited liability company
4. Limited joint-stock company
5. Limited partnership
6. Registered partnership
7. Professional partnership
8. Civil law partnership
9. Sole proprietorship
10. Cooperative
11. Branch
12. Representative office

Regarding international investors, a limited liability company and a branch are the most commonly used types of business entities. However, they have different tax and legal status. Another difference between these two forms is a limitation of liability. As a shareholder of a subsidiary, the foreign investor's liability is limited to the value of their capital contribution. On the other hand, if the foreign entity chooses a branch, it is fully responsible for all the obligations and liabilities of the branch. Therefore, a limited liability company may be seen as the most favourable way of starting business activity in Poland.

As far as a limited liability company is concerned, the minimum share capital amounts to PLN 5,000. Unlike in some countries, only a natural person can be a member of limited liability company's management bodies in Poland.

Procedure of setting up a business

A limited liability company can be incorporated by a notarial deed or in a simplified manner – by using the standard template of contract (S24), which is available on the website of the Ministry of Justice. S24 is a one-stop-shop procedure, however, an electronic qualified signature or a signature confirmed by ePUAP profile is necessary. All types of companies and partnerships (except for civil law partnerships) have to be registered in the National Court Register (KRS).

Regarding sole proprietorship businesses and civil law partnerships, registration in the Central Registration and Information on Business (CEIDG) instead of KRS is necessary. Due to the "one stop shop" rule, submitting one form allows to register business activity, register with the Social Insurance Institution (ZUS), receive a tax identification number (NIP) and National Official Register of National Economy Units number (statistical number REGON) at the same time. The CEIDG registration is free of charge.

Financial year for tax and financial accounts

As a rule, the financial year is the same as the calendar year. However, a company may choose a different financial year covering the subsequent twelve months by a relevant provision in its articles of association. It is possible for a company to change its financial year later – by amending the articles of association (subject to registration in KRS) and notifying the head of the competent tax office in the tax return for the year preceding the first accounting year different than the calendar one.

Accounting and auditing

All types of companies, limited partnerships, and sometimes other types of partnerships as well as sole proprietorships have to keep accounting books and prepare annual financial statements in accordance with the Polish Accounting Act (sometimes IAS can be applied). Moreover, a statutory audit of a financial statement is required for a joint-stock company or for any other entity which meets 2 out of 3 of the following criteria:

1. net income ≥ EUR 5,000,000,
2. total assets ≥ EUR 2,500,000,
3. number of full-time employees ≥ 50.

Starting from 2025 the biggest taxpayers will be obliged to provide to the tax office their financial accounts in an electronic version. Other taxpayers will be covered by that obligation in later periods.

Economic and fiscal incentives

Poland is one of the biggest beneficiaries of EU funds. The main support from operational programs in the form of non-returnable financing is designated for infrastructure, development, and environment protection projects, as well as for R&D and innovation, digitization and human capital projects.

In addition, the Polish government implemented other tax incentives to accelerate economic development, including tax exemptions granted in Special Economic Zones (SEZ) or for a new investment realized outside SEZ, R&D incentives etc.

Due to the EU non-competition rules all SEZs exist till 2026 and no new permits for operating within a SEZ are issued. In exchange, investors can apply for a decision on state support. The decision is issued once the tender procedure is successfully passed and it defines the key conditions such as minimum employment as well as the value of investment expenses required. The decision can be issued for 10, 12 or 15 years.

As of the end of 2023, 2,503 decisions on support were issued covering investments of the total value of PLN 116.9 billion and over 48,000 new workplaces.

Another major tax incentive is the so called "R&D relief", which purpose is to promote innovative activities. The R&D relief allows a taxpayer to additionally deduct from its tax base certain qualified R&D expenditures (additional notional deduction).

Finally, one-time deprecation is possible with respect to new fixed assets acquired by a taxpayer up to the amount of PLN 100,000 (the incentive does not apply to depreciation of real estate or vehicles).

Certain new tax incentives were introduced as of 1 January 2022, the most important seem to be robotization incentive and incentive for new products launching, both allowing for additional deduction of related costs.

Additionally, special tax regime for holding companies located in Poland has been introduced in 2022.

Taxation

The tax system is one of the most important criteria when it comes to choosing a place for setting up or expanding a business. It should be noted that the Polish tax system is compliant with the EU Directives and international standards. Poland offers an extensive treaty network and established tax practices – in the form of individual rulings securing the taxpayer's position and best practices (explanations of the law) issued by tax authorities.

The Tax Administration performs tasks which are of vital importance to the functioning of the state. Due to the changes which have taken place over the past 30 years, the Polish Tax Administration has become modern and more effective. Recently, it has been reorganised to provide more support and guidance to the taxpayers, becoming increasingly adaptable to their needs and expectations.

In line with many other countries, taxes include personal income taxes, corporate income taxes, VAT and capital duties. Also, local taxes, such as real estate tax and vehicle tax are imposed by communes within statutory limits.

VAT

Value Added Tax, known in Poland as a goods and services tax (GST), applies to a value of a product (service) which is added at each stage of the production or supply chain. Currently, the system used for charging and collecting VAT is harmonised with the system applicable in other European Union countries.

VAT applies to domestic (basic tax rate is 23%), intracommunity and export/import transactions of goods and services, albeit in some cases they might be exempted from tax or subject to a lower rate of 8% or to the preferential rate of 0%. For entrepreneurs, VAT remains neutral - input and output tax are subject to compensation (B2B transactions). Basically, tax refunds are realised within 60 days, however, the taxpayers might benefit from shorter (25 days) term, available for them after fulfilling specific conditions.

In 2026 a common system of electronic invoices in structured XML form is planned to be introduced for a VAT taxpayers established in Poland. As of now, e-invoicing is applicable on a voluntary basis.

Income tax

Income tax comprises of: personal tax and corporate tax. In both cases the tax base is calculated in the same manner, as a difference between aggregated taxable revenues from a given source and aggregated tax-deductible costs from that source.

Tax losses might be carried forward for 5 consecutive years only. There is no carry back of losses available.

Corporate Income Tax

Every company that is a Polish resident is subject to corporate income tax (CIT) on its worldwide income and capital gains. A non-resident company is taxed only on income generated in Poland unless a specific double tax treaty (DTT) provides otherwise.

The CIT rate is 19%, which is one of the lowest in the EU. Additionally, 9% tax rate for small / newly formed taxpayers is available.

Taxpayers conducting R&D activity may also benefit from preferential income taxation (rate of 5%) as regards income received from new or improved qualified intellectual property rights (IP Box scheme).

For the CIT purposes costs and revenues are allocated to income sources: operational income and passive income (e.g., dividends, royalties). Profits and losses from these sources cannot be compensated with each other.

Most costs are deductible for tax purposes, with some limitations compliant with European Anti-Tax Avoidance Directive. Regarding thin capitalisation, deduction of the surplus of interest costs over interest income exceeding 30% of taxpayer's (tax) EBITDA level or PLN 3 million is not possible. Other non-deductible costs include e.g., entertainment costs, provisions, unpaid interest and some types of damages paid in relation to business activity.

Starting from 2022 tax on shifted profits has been introduced, due when a Polish company makes certain payments to its related non-Polish party, while income from those payments benefits from preferential taxation (some additional conditions have to be met).

As of 1 January 2024, minimal tax regulations, for companies with loss or with low (2%) margin, came into force. Certain entities are excluded, e.g. entities with the 30% decrease of revenues (comparing to previous year) or entities which margin in one of the three previous years was over 2%.

Pillar 2 rules are to be implemented from the biggest MNE starting from2025.

Tax registration procedures

Upon registration with the Polish Court Register a company receives a tax identification number (i.e., NIP number). The registration threshold for VAT purposes is a turnover of PLN 200,000 (approx. EUR 50,000) per year, hence non-residents that make taxable supplies of goods or services in Poland generally must register for VAT purposes as well.

Transfer Pricing

Poland has implemented transfer pricing rules that follow the new and amended (2017) OECD guidelines. Enterprises are qualified as related only if specific conditions are fulfilled (personal ties; capital ties over 25% of direct or indirect nature). Local file must be prepared for transactions with annual value exceeding the following thresholds:

1. PLN 10m for goods related transaction;
2. PLN 10m for financial transaction;
3. PLN 2m for service type transaction;
4. PLN 2m for all other types of transaction;
5. PLN 0.5m-2.5m for transactions with entities from tax havens.

The taxpayers are also obliged to submit annual transfer pricing report (TPR). Finally , in some cases filing a Country-by-Country Report on income earned by foreign subsidiaries is mandatory.

Advanced Pricing Agreements (APAs)

In Poland there are three types of APAs:

1. unilateral APAs: domestic and foreign
2. bilateral APAs, and
3. multilateral APAs.

The main benefit of APAs for the taxpayer is that the tax authorities approve the method applied to calculate transfer prices and that no transfer pricing documentation is required for a transaction covered by an APA.

General Anti-Avoidance Rule (GAAR)
The GAAR applies to legal arrangements devised first and foremost with a view to achieving a “tax benefit” that is inconsistent with the purpose and substance of tax laws in each situation. It allows the tax authorities to eliminate the tax effects of tax optimisation in cases of “tax avoidance”.

Withholding taxes
The most common withholding tax is dividend tax with a rate of 19%. In other cases (e.g. royalties or interests) 20% tax rate is applied. Payments made by Polish residents to foreign entities as a consideration for intangible services are subject to 20% WHT rate. Poland grants participation exemption based on provisions implementing the EU Parent-Subsidiary and Interest-Royalties Directives (participation threshold of 10% and 2-year holding period are required).

WHT rates may be reduced (or transactions can be exempted) by specific provisions of Double Tax Treaties concluded by Poland and the respective countries.

Starting from 2022 the new WHT regulations came into force. Based on them if the annual total amount of payments of dividends, interest and royalties, made to a single contractor being a related party exceeds PLN 2m, excess over this amount is subject to WHT with a local rate, irrespective of the DTT provisions or exemption based on the EU Directives. Tax withheld can be subsequently refunded in a separate procedure. At the same time, the regulations provide for some procedures allowing for keeping the relief-at-source model for these payments.

Mandatory Disclosure Rules
Taxpayers are obliged to report transactions (tax schemes) fulfilling criteria provided by the Tax Ordinance provisions drafted on the basis of DAC6. Generally, the reportable transactions are those that can be associated with profit shifting.

Tax transparency
Taxpayers may enter into cooperation agreement with the tax authorities. Parties of the cooperation agreement may additionally conclude tax agreement related to specific issues.

Investors making or planning investment in Poland can enter into investment agreement.

Additionally, the biggest taxpayers are obliged to publish on the website the information on the tax strategy.

HR / Labour Law

Employment law
Employment agreements may be concluded for a probationary, definite or indefinite period and should be made in writing. The probationary period may last for a maximum period of 3 months.

As far as contracts of employment for a definite period are concerned, there are two limitations of using thereof. Firstly, the total period of employment under an agreement or agreements concluded for a definite period may not exceed 33 months. Secondly, the total number of agreements concluded for a definite period cannot exceed 3. If one of these limits is exceeded, the employee is deemed to be employed under a contract of employment for an indefinite period.

The termination notice period of employment agreements for a definite or an indefinite period is:

1. 2 weeks (if employment is shorter than 6 months),
2. 1 month (if employment is equal to or longer than 6 months) or
3. 3 months (if employment is longer than 3 years).

Personal income tax
Income earned by individuals is subject to PIT. In the case of employment income, the tax is withheld by the employer – however, the taxpayer is still obliged to file his annual tax return no later than on 30 April of the following year. Employment income is taxed progressively at the rates of 12% and 32%. The latter tax rate applies to tax base exceeding PLN 120k. Tax free amount is currently PLN 30k.

Additionally, persons under 26 years of age who receive income from work and from service contracts are exempted from tax. The exemption covers income up to PLN 120k in a tax year.

Parents raising 4 kids and more, seniors and persons changing their tax residency for the Polish one can benefit from tax exemption up to PLN 85k per year.

Different taxation schemes might apply to other types of income earned by individuals, e.g. individual business activity might be taxed at a flat rate of 19%, the same rate is applied also to interest, dividends and some types of capital gains, a rate of 5% may apply to income received from new or improved qualified intellectual property right (IP Box relief). Simplifications apply to private rental income (8.5% rate on revenues).

Social security
Participation in the social security system is obligatory for all employees. The Polish social insurance system includes:

1. old-age pension insurance,
2. disability pension insurance,
3. sickness insurance,
4. work accident insurance.

Social security contributions are split between the employee and the employer. However, it is the employer who is required to make payments on its behalf and on behalf of the employee. Total social security contributions (borne by both the employer and the employee) sum up to around 32% of remuneration. For sole proprietorships, social security contributions are independent of the amount of actual income.

Health insurance
All employees are mandatorily insured by the National Health Fund (NFZ). Every month an employer pays a contribution to the NFZ on its employees’ behalf amounting to 9% of revenue.

Sole proprietorships pay health insurance charges depending on the chosen form of taxation – 9% for progressive taxation, 4.9% for flat rate taxation and fixed amount for lump-sum taxation.

Employee Capital Plans

The Employee Capital Plans (PPK) is a long-term saving scheme for employees (including persons hired based on civil contracts) created and co-financed by employees, employers, and the State Treasury.

PPK was introduced in Poland gradually, while currently is obligatory for most of the employers. Participation in and contributing funds to the PPK is voluntary for the employees.

The main obligations of the employers are:

1. choice of the financial institution who will hold and operate the PPK accounts for the employees. The decision shall be made after consultation with the trade union organizations or, if there is no such, with the representatives of the employed persons;
2. signing the PPK management agreement with the chosen financial institution as well as the agreements for operating PPK for the benefit of the employees;
3. calculation, withholding and transfer of payments to the chosen financial institution. Payments to PPK are made from the month following the month in which the legal relationship arising from the PPK agreement arose;
4. gathering and archiving the PPK documentation;
5. provision of certain information associated with PPK to the employees and the chosen financial institution.

There are obligatory payments and additional (voluntary) payments both for the employer and the employees. In the case of employer, the obligatory payment is 1.5% and additional payment is max 2.5 % of gross remuneration.

Payroll

Each employer is obliged to register an employee with ZUS within 7 days of the commencement of employment. During the employment, the main obligations of each employer are to:

1. prepare and submit declarations to ZUS and pay the contributions – each month,
2. withhold and pay personal income tax liability – each month,
3. prepare and submit information on income (PIT-11 form) to the employee and the competent tax office – each year.

Recruitment of foreign nationals

All EU, EEA and Swiss citizens can work freely in Poland without obtaining any special permit.

Other foreigners can also work in Poland, but they have to obtain a special permission e.g. a work permit, seasonal work permit, declaration to entrust a job – type of document depends on the nature of the work and the employee’s nationality.

As a rule, it is the employer who initiates the procedure and applies for the necessary work permits for a foreigner in Poland.

Remote work

As of April 2023, the remote work is officially regulated in the Labour Code. The employer who decides to apply this model is obliged to provide necessary tools and pay the employees’ costs of electricity and internet access borne in relation to the remote work.

Contact us

The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in Poland should seek professional advice from our member firms before making any business or investment decision.*

**This guide was update by MSI member firm Taxpoint*

Contact our member firms in Poland to discuss your requirements:

Audit member: Poznan & Warsaw

B-think Audit sp. z.o.o.
www.bthink.pl

Adam Toboloa
adam@bthink.pl
+48 500 612 202

ul. św. Michała 43
61-119 Poznan

Al. Niepodległości 112
02-577 Warsaw

Accounting member: Warsaw & Wroclaw

Credos
www.credos.com

Rafał Horoszczak
rafal.horoszczak@credos.com
+48 22 101 00 30

ul. Domaniewska 47
02-672 Warsaw

ul. Wita Stwosza 1-2
50-148 Wroclaw

Legal member: Warsaw

Greloch Jaworski Stanis Adwokaci Sp. k.
www.gjslegal.com

Marcin Jaworski
marcin.jaworski@gjslegal.pl
+48 22 553 89 70

ul. Emilii Plater 10/PU2
00-669 Warszawa

Tax member: Krakow

Taxpoint
www.taxpoint.pl

Katarzyna Knapik
katarzyna.knapik@taxpoint.pl
+48 12 626 73 10 / +48 664 717 349

ul. Prądnicka 4
30-002 Kraków

MSI Global Alliance
10 Queen Street Place
London EC4R 1AG
United Kingdom

www.msiglobal.org