

DOING BUSINESS GUIDE

SETTING UP YOUR BUSINESS IN POLAND:
WHY AND HOW?



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INTRODUCTORY NOTE

For almost 30 years, French companies have chosen to set up in Poland, either by creating subsidiaries or by way of acquisition. As the largest market in Central Europe (and 6th European market), Poland offers numerous growth opportunities and advantages, such as highly qualified personnel, growing purchasing power and middle class, and a remarkable entrepreneurial and industrial fabric. Poland, placed at the crossroads of Europe, has also become a natural springboard for business expansion to other countries in the region.

The attractiveness of the Polish market and the apparent ease of setting up the business there should not however obscure the complexity and specificities of the local tax, legal, administrative, or even human resources environment. These specificities should be understood from the outset in order to envisage a controlled and successful implementation.

This guide aims to give you an insight into the business rules and practices in Poland. We would be happy to discuss your implementation projects in more detail.



Marcin Tobor
General Manager Poland
marcin.tobor@pramex.com

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FRENCH FOREIGN DIRECT INVESTMENTS BAROMETER IN POLAND

3rd

France is one of the highest foreign investors in Poland.

1,100+

The number of subsidiaries of French companies in Poland



π Pramex Office

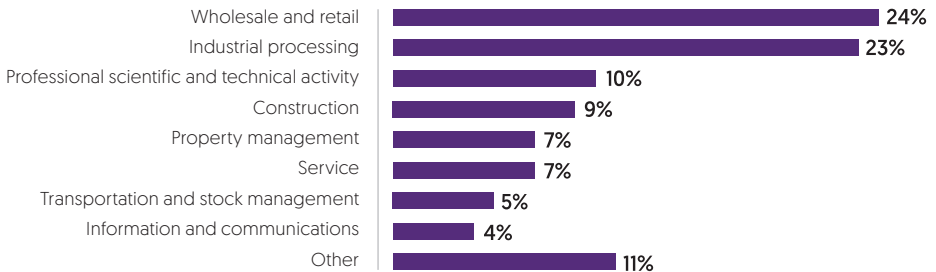
200,000

Total workforce in French companies operating in Poland

€18 billion

The amount of French FDI stock in Poland, i.e. 9.1 % of total foreign FDI in Poland, of which 48 % of income generated by French companies in Poland in 2017, was reinvested

Half of businesses set up in the country are from the **Industrial Processing and Trade sectors**.



Per sectors : Key business areas (2019)

Sources: CCIFP: Together facing the challenges of tomorrow / sectoral analysis on the occasion of the 25th anniversary of the CCIFP - CCIFP & KPMG: 25 years of the Franco-Polish partnership

5 KEY QUESTIONS TO BE BETTER PREPARED

Is my company ready to operate in Poland?

The answer is yes if you have confirmed the potential market for your products or services, identified good employee profiles and have sufficient financial resources and the time needed. Once these points are validated, do not wait too long; the Polish market is very competitive and places are quickly taken.

Do I need to travel to Poland for the administrative steps?

Not necessarily. The incorporation of the subsidiary and other steps such as opening a bank account can usually be done remotely. Nevertheless, a visit to a notarial office in France will be necessary to prepare the necessary documents.

Where to set up in Poland?

Three simple principles to approach this immense territory: get closer to your ecosystems, customers, business partners... Set up in Warsaw if you want a central location. Otherwise, there are many other very dynamic and less expensive cities or regional centres. Finally, be aware of practical implications such as the distance between your location and the nearest regional airport as well as regular direct flights between France and Poland.

In which form?

Polish SP. Z.O.O. is the legal form adopted by the overwhelming majority of investors. It corresponds to the French SARL and is characterised by very simple management rules. There are no restrictions as to the number of shareholders. The corporate officer (member of the Management Board) must be a natural person. The minimum capital is approx. €1,250.

How long does it take to be operational?

Expect a period of 1 to 2 months for the incorporation and operational setup of your structure. The classic procedure is quite formal and requires the intervention of a notary for the signing of the articles of association. Post-creation formalities can also be tedious and slow down the process of launching the company's activity (obtaining a VAT number, obtaining a digital certificate for the members of the Management Board, opening a bank account).

Pramex Poland contact



Pramex International Sp. z o.o.
ul. Emilii Plater 10/47
00-669 Warsaw
+48,606,890,121

POLAND IN FIGURES

KEY FIGURES



+4%

growth in 2019

~40

Millions of
potential
consumers

€18 billion

direct investments: 3rd
ranked investor
in the country

4th

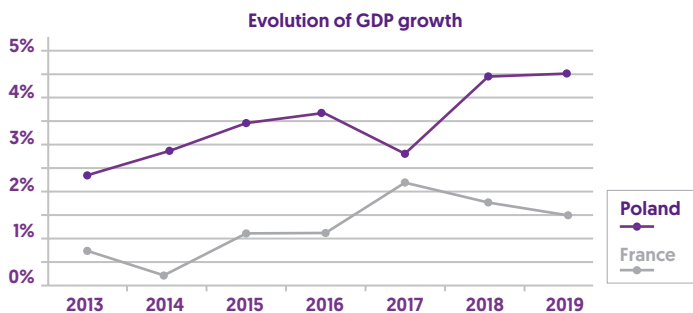
Position of France
as the country's
trading partner

2019



Country ranking (GDP)	7	22
GDP (in billions of \$)	2,778	592
GDP growth (%)	1.5	4.1
Population (in M)	67	38
Standard & Poor's sovereign risk	AA	A-
Ease of doing business [1 – 189]	32	40

Source: World Bank



THE KEY STRENGTHS

- Large domestic market
- Dynamic domestic demand
- Skilled workforce
- Gateway to CEEC
- Diversified economy
- Attractive for FDI
- Beneficiary of structural funds
- Attractive tax system
- Excellent level of education (languages / sciences)

8 GOOD REASONS TO SET UP A BUSINESS IN POLAND



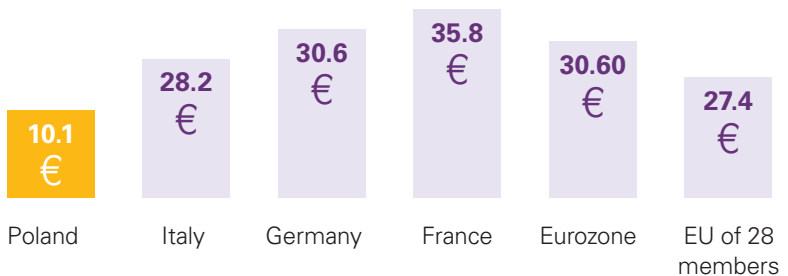
THE LARGEST ECONOMY IN THE CEEC ZONE

- Leading economy of the CEEC zone (Central and Eastern European countries)
- 8th economy of the European Union
- 24th largest economy in the world
- The largest country in the area in terms of surface area and population (38.5 million inhabitants)
- 250 million consumers within a 1,000 km radius of Poland



ATTRACTIVE COST OF LABOUR AND A FLEXIBLE LABOUR MARKET

- Hourly labour cost - 2018



Source: Eurostat



ATTRACTIVE TAX SYSTEM

- Corporate taxes in 2020: 19% and 9% for very small businesses
- Employer charges (excluding PPK): around 20.5% (declining)
- Capital gains tax rate: 19%
- No deduction at source for dividends under the mother-daughter scheme



GOOD LEVEL OF EDUCATION OF YOUNG GRADUATES

- 2 million students in Poland
- 450,000 new graduates per year with an excellent level of knowledge of foreign languages (9th in Europe in English, world leader in German)
- Excellent level of education in science and mathematics (above the OECD average according to PISA)



A TRUE EUROPEAN CROSSROADS

- A true European crossroads, the country is crossed by 4 of the 10 TEN-T (trans-European roads)
- Strongly developing transport infrastructure: 12 international airports, 4 seaports
- Geographical proximity to France: Paris and Warsaw are a 2-hour flight away
- An interesting regional springboard for SMEs because of the economic, cultural and historical links with the CEEC and the markets of Eastern Europe



STRONG FRENCH PRESENCE IN THE COUNTRY

- France is the 3rd foreign investor in Poland and its 4th trading partner
- More than 1,100 companies with French capital are registered in Poland
- The workforce in French-owned entities is estimated at nearly 200,000 people (3rd foreign employer)
- Presence of French banks: 3rd banking nationality

A large, stylized number '6' in yellow with a white outline and a small white smiley face inside the bottom loop. It is set against a light yellow circular background.

OPEN, DIVERSIFIED AND RESILIENT ECONOMY

- A dense industrial fabric and remarkable resistance to the crisis
- Mitigated impact of the Covid and a faster recovery from the crisis than for other countries of the European Union (GDP of -3.1% in 2020 and + 3.6% expected in 2021)
- Polish SMEs are open for export and collaboration with foreign companies (95% of French companies in Poland have good experience of working with Polish companies).

A large, stylized number '8' in purple with a white outline and a small white smiley face inside the bottom loop. It is set against a light purple circular background.

SPECIAL ECONOMIC ZONES

- Poland has set up an efficient system of Special Economic Zones (SEZs) to encourage foreign investors to make long-term investments
- In SEZs, the entrepreneur can benefit from the following advantages: tax exemptions, land fully prepared for investment at a competitive price, free assistance in completing formalities, exemption from property tax (in some municipalities).

OVERVIEW OF THE LOCAL/LEGAL STRUCTURES IN POLAND

PARTNERSHIP COMPANY

Partnership company without independent legal status: SKA, Sp.k, general partnership, partnership company

- + Transparent structures for tax purposes (except SKA)
- ⚠ Partners' liability may exceed the amount of the capital contribution.

PUBLIC LIMITED COMPANY

Comparable to the SA under French law

- + Generally more suitable for projects involving either large capitalisation or a stock market listing
- ⚠ Capital contribution of at least €25,000 and at a higher cost than for the SP. Z O.O.

LIMITED LIABILITY COMPANY, SP Z O.O

SP. Z O.O. is to a certain extent comparable to the SARL under French law.

- + Share capital contribution of at least €1,250
- + Great flexibility in setting the operating rules of the company
- + Possibility of creating the company online
- ⚠ Individual liability of the Manager (natural person) greater than in the case of the SA

JOINT-STOCK COMPANY

Comparable to the SAS (joint-venture company) under French law

- + New legal form especially suited to start-ups scheduled for implementation in Poland in 2021

INCORPORATING YOUR SUBSIDIARY IN POLAND

1

Verification of the availability of the name with the Trade Register

1 TO 2 DAYS

2

Choice of legal form / preparation of powers of attorney / draft articles of association

1 TO 2 WEEKS

3

Signature of a deed of incorporation before the notary

1 TO 2 DAYS

4

Opening of a bank account and contribution of the share capital

1 WEEK

5

Filing of documents at the KRS (Polish Commercial Registrar)

1 TO 2 DAYS

6

Registration on the Trades Register, obtaining the NIP and REGON number

2 TO 3 WEEKS

7

VAT registration, ZUS (if applicable)

2 TO 3 WEEKS

8

Post-set-up phase - obtaining the PESEL number (if it is not Polish) and / or the electronic signature certificate for the Manager of the structure and the CRBR declaration



Overall timeline
approx.
5 to 8 weeks

MANAGING A SUBSIDIARY IN POLAND

INCENTIVES FOR INVESTMENT IN POLAND

Poland offers some tax relief or exemptions essential for running a business:



■ EU structural funds / other aid and EU funds



■ Expansion of the Special Economic Zones (SEZ) system throughout Poland [CIT relief for new investments]



■ Tax breaks for R&D expenses [IP Box, Tax credit]



■ Social contributions reduced for entrepreneurs starting their business



■ Lower taxes for very small businesses [<€1.2 M in turnover]

ESTIMATED COSTS RELATED TO THE MANAGEMENT OF A SUBSIDIARY



Data in euros (€)

Average annual cost per sqm of office space	526	320	↘-39%
Average gross annual salary of a Sales Director	105,000	68,000	↘-35%
Legal gross minimum hourly wage	10.15	3.68	↘-64%
Fastfood menu	9	5	↘-44%
Monthly public transport subscription cost	75	25	↘-67%
Monthly internet subscription 10Mbps	27	13	↘-52%
Prepaid mobile local rate - 1min	0.23	0.06	↘-74%
Monthly rent (2-bedroom downtown apartment)	2,655	1219	↘-54%

on 01/11/2021: 1 PLN = 0.22 EUR

Sources: Robert Walters - Salary survey 2020
Le coût de l'Expat - Banque Populaire

FRANCE VS POLAND: EMPLOYMENT LAW AND TAX OVERVIEW

LABOUR LAW



Contributions		
Employer contributions	35% to 45%	19.21% to 22.1%
Employee contributions	20%	~21.5%***
Legal weekly working time	35 hours	40 hours
Paid leave in days	30	22 or 26

* PPK: private pension savings system (optional):

Employer: between 1.5 to 4% of gross salary

Employee: between 0.5% to 4% of gross salary

** including health insurance contributions

*** above 30x average salary (approx. €37 K in 2020): employer charges (excluding PPK): ~ 4.2%, salary costs (excluding PPK, health insurance included): ~11.2%

2 types of dismissal in Poland

- Disciplinary dismissal
- Dismissal for objective reasons

Severance payments are applicable only in the event of collective redundancy or if the exclusive reason for the dismissal is related to the company (for a company of more than 20 employees).

Amount of compensation: 1 to 3 months' salary not exceeding 15 times the minimum wage.

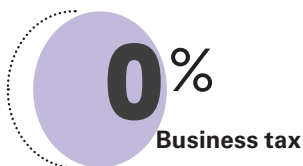
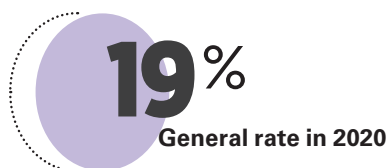
TAX LAW

Income tax (PIT)

Taxable income	Tax	
Less than 85,528 PLN		17%
More than 85,528 PLN		32%
More than 1,000,000 PLN		4%*

* Additional 4% of surplus over 1,000,000 PLN
0% for people under 26

Corporate tax (CIT)



SOCIOCULTURAL FEATURES

BUSINESS BEHAVIOUR



Clear and direct relationships: the Poles expect people to show the same responsiveness and rapid decision-making.



The leaders in Poland are rather pragmatic and goal-oriented. However, sometimes a short-term approach takes precedence over a strategic vision.



No long lunch break (30-45min): Poles often have lunch in front of their computers.



The rate of representation of women in the middle ranks of companies and on boards of directors is among the highest in Europe.

SPECIFIC PROFESSIONAL AND BUSINESS FEATURES

24

Average late payment days

Source: Atradius

September 2018

56

Average settlement time of payables

Corporate officers in Poland (from Manager to Member of the Board of Directors) **are individual and engage the responsibility of natural persons** (especially for the tax debts of the company). As part of the definition of the management of a capital company, it is therefore fundamental to anticipate and identify the officers to be appointed.



Pay attention to the management of your payments and the management of your working capital following the introduction of several restrictions concerning payments (law on *split payment*, white list of taxpayers or the new law on late payments).

LABOUR CODE

40

Number of hours worked per week

7

Official public holidays in 2020

[out of 13 days in total]

26

Paid vacation days per year and 20 days for young employees



Labour and employee protection law derives primarily from the Labour Code, but other forms of employment based on the Polish Civil Code are often practised.

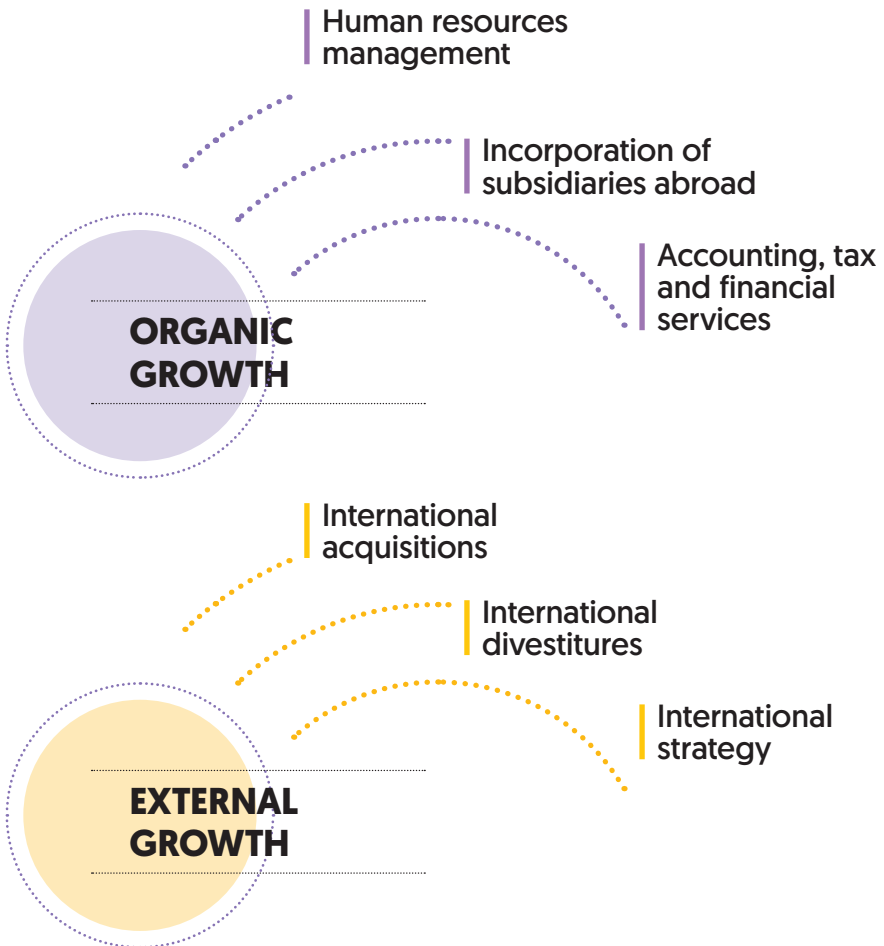


Collective labour agreements are relatively rare in the private and service sectors. They are more often found in the public and industrial sectors.

OUR EXPERTISE

THE SPECIALIST IN SETTING-UP SUBSIDIARIES ABROAD

No. 1 IN OUTSOURCED FINANCIAL, HR & LEGAL CORPORATE SERVICES FOR START-UPS, SMES AND SMALL GROUPS





The specialist in creating subsidiaries abroad

We manage over **800 subsidiaries of French companies abroad.**



Multiculturalism

Multicultural experts with perfect understanding of the French environment and local characteristics.



Your international partner

We support you in Europe, the United States, Brazil, Asia and North Africa.

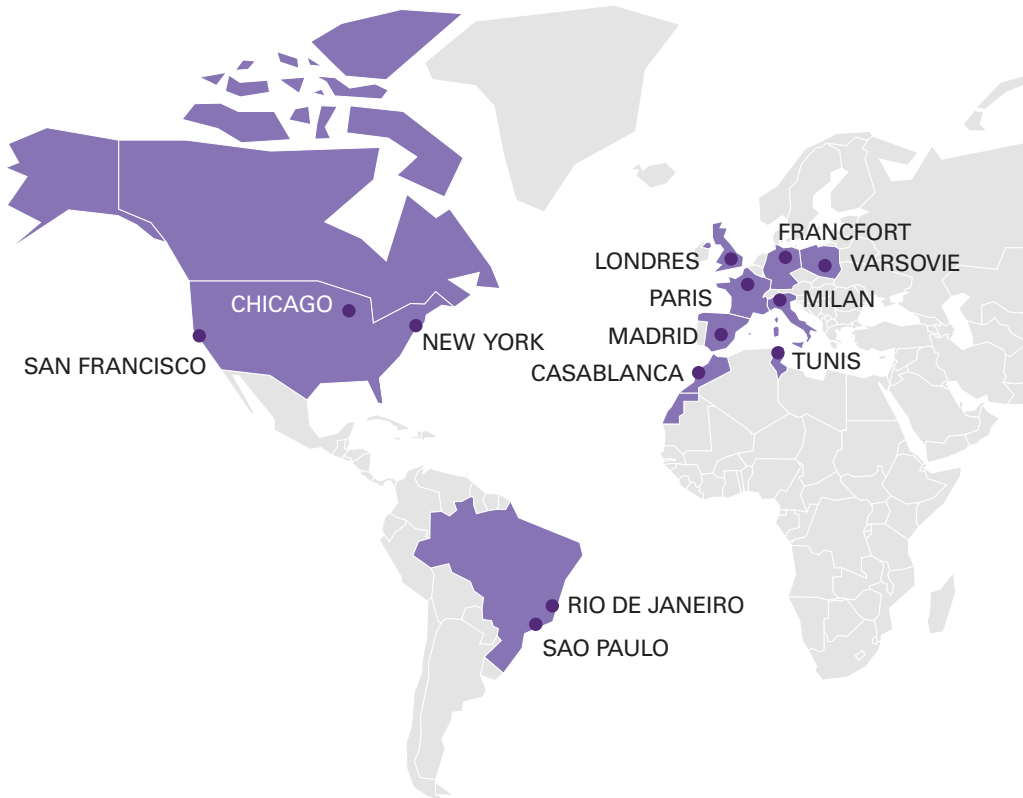


A one-stop shop

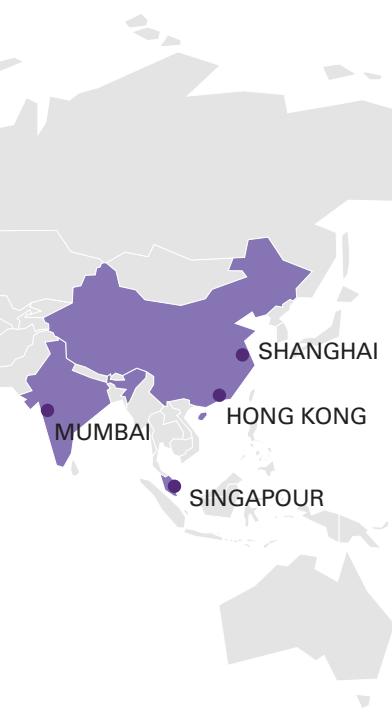
To assist you in the administration of your subsidiary (accounting, tax, HR, reporting, insurance, etc.).

ABOUT US

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Subsidiary of  **GROUPE BPCE**, a cooperative bank and insurance group present in more than 40 countries and 2nd leading bank in France.



+1,000

companies supported annually

13

countries

17

offices

130

bicultural experts and
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**Poland
contact**

ul. Emilii Plater 10/47
00-669 Warsaw
+48,606,890,121

www.pramex.com

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